THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mega Expo Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

MEGA EXPO HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1360)

(I) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE SHARE CAPITAL OF THE TARGET COMPANY INVOLVING ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE AND (II) PLACING OF SHARES UNDER SPECIFIC MANDATE

Placing Agent

KINGSTON SECURITIES

Joint financial advisers

KINGSTON CORPORATE FINANCE

八方金融有限公司
OCTAL Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 to 49 of this circular.

A notice convening the EGM to be held at Room Soho 2, 6/F, IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong at 11:00 a.m. on Friday, 9 February 2018 is set out on page EGM-1 to EGM-4 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or adjourned meeting thereof should you so wish.

19 January 2018

CONTENT

In this circular, the following expressions have the following meanings, unless the context otherwise requires:–

"Acquisition"	the proposed acquisition of the Sale Shares by the Company from the Vendor pursuant to the Sale and Purchase Agreement
"Acquisition Completion"	completion of the Acquisition
"Acquisition Completion Date"	the date of Acquisition Completion, which shall be a date falling within five (5) Business Days after the fulfilment of the conditions precedent set out in the Sale and Purchase Agreement and the date on which Acquisition Completion takes place
"Acquisition Long Stop Date"	23 May 2018 or such other date as may be agreed between the Vendor and the Company in writing
"Announcement"	the announcement of the Company dated 24 November 2017 in relation to the Acquisition, the Placing and the transactions contemplated under the Sale and Purchase Agreement and the Placing Agreement, respectively
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bloomberg"	Bloomberg L.P.
"Board"	the board of Directors
"Business Day(s)"	a day on which banks are generally open for business in Hong Kong (other than a Saturday, a Sunday or a public holiday or days on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
"BVI"	the British Virgin Islands
"CAGR"	Compound annual growth rate
"CNs"	the convertible notes in the aggregate principal amount of HK$168 million to be issued by the Company to the Vendor for the partial settlement of the Consideration, being the First CNs, the Second CNs and the Third CNs

"CNs Certificate(s)"	the certificate(s) for the CNs
"CN Specific Mandate"	a specific mandate to be sought from Shareholders at the EGM to authorise the Directors to allot and issue the Conversion Shares
"Company"	Mega Expo Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1360)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the sum of HK$268 million payable by the Company to the Vendor for the Acquisition
"Conversion Price"	the initial conversion price of HK$1.83 per Conversion Share
"Conversion Shares"	the 91,803,278 Shares (subject to adjustment) to be issued by the Company upon exercise of the conversion rights attaching to the CNs
"Director(s)"	the director(s) of the Company
"Due Diligence Review"	due diligence review and investigation on each member of the Target Group, which the Company shall be entitled (but not obliged) to carry out, including without limitation to its assets, liabilities, contracts, commitments and business and financial and legal aspects pursuant to the Sale and Purchase Agreement
"EGM"	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the grant of the CN Specific Mandate for the issuance of the Conversion Shares; and (iv) the grant of the Placing Specific Mandate for the issuance of the Placing Shares
"Enlarged Group"	the Group and the Target Group upon Acquisition Completion

"First CNs"	the first CNs in the principal amount of HK$34 million to be issued by the Company to the Vendor upon Acquisition Completion as partial settlement of the Consideration, which entitle the holders thereof to convert the outstanding principal amount due thereunder into Conversion Shares at the Conversion Price (subject to adjustment)
"First CNs Certificate(s)"	the certificate(s) for the First CNs
"GDP"	Gross domestic product
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Latest Practicable Date"	16 January 2018, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"NOD"	諾笛(上海)企業管理諮詢有限公司 (transliterated as NOD (Shanghai) Management Communication Co., Ltd), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
"NOD Culture"	諾笛(上海)文化發展有限公司 (transliterated as NOD (Shanghai) Culture Development Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company

"Placee(s)"	any independent professional, institutional or other investor(s) procured by or on behalf of the Placing Agent to subscribe for the Placing Shares pursuant to the Placing Agent's obligations under the Placing Agreement
"Placing"	the proposed placing of up to 68,600,000 Placing Shares to the Placees at the Placing Price subject to the conditions set out in the Placing Agreement
"Placing Agent"	Kingston Securities Limited, a corporation licensed by the SFC to carry on Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Placing Agreement"	the conditional placing agreement entered into between the Company and the Placing Agent on 24 November 2017 in relation to the Placing
"Placing Completion"	the completion of the Placing
"Placing Long Stop Date"	23 May 2018 or such later date to be agreed between the Company and the Placing Agent
"Placing Price"	HK$1.5 per Placing Share
"Placing Share(s)"	up to 68,600,000 new Share(s) to be placed pursuant to the Placing Agreement
"Placing Specific Mandate"	a specific mandate to be sought from Shareholders at the EGM to authorise the Directors to allot and issue the Placing Shares
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Advisers"	Grandall Law Firm, legal advisers of the Company as to the PRC law
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 24 November 2017 entered into between the Vendor and the Company in relation to the Acquisition

"Sale Shares"	the entire issued share capital of the Target Company being held by the Vendor
"Second CNs"	the second CNs in the principal amount of HK$58 million to be issued by the Company to the Vendor upon Acquisition Completion as partial settlement of the Consideration, which entitle the holders thereof to convert the outstanding principal amount due thereunder into Conversion Shares at the Conversion Price (subject to adjustment)
"Second CNs Certificate(s)"	the certificate(s) for the Second CNs
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Bayu"	上海巴娛電子商務有限責任公司 (transliterated as Shanghai Bayu e-Commerce Limited Liability Company), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
"Share(s)"	ordinary share(s) of HK$0.002 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Codes of Takeovers and Mergers and Share Buy-backs issued by the SFC (as amended from time to time)
"Target Company"	Cheer Sino Investment Holdings Limited, a company incorporated in BVI with limited liability
"Target Group"	the Target Company and its subsidiaries
"Target Group Company(ies)"	member(s) of the Target Group

"Third CNs"	the third CNs in the principal amount of HK$76 million to be issued by the Company to the Vendor upon Acquisition Completion as partial settlement of the Consideration, which entitle the holders thereof to convert the outstanding principal amount due thereunder into Conversion Shares at the Conversion Price (subject to adjustment)
"Third CNs Certificate(s)"	the certificate(s) for the Third CNs
"US$"	US Dollar(s), the lawful currency of the United States of America
"Vendor" or "Mr. Liu"	Mr. Liu Jianping, a merchant and an Independent Third Party, being the legal and ultimate beneficial owner of the entire issued share capital of the Target Company and the president and founder of the Target Group
"Vendor Group"	(i) the Vendor; and (ii) any company in which the Vendor or his associates has controlling interest
"%"	per cent.

For the purpose of illustration only, translation of RMB into HK$ and US$ into HK$ shall be based on the exchange rate of HK$1.18 = RMB1 and HK$7.78 = US$1, respectively.

MEGA EXPO HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1360)

Executive Directors:
Mr. Deng Zhonglin
(Chairman and Chief Executive Officer)
Ms. Zhang Jun
Mr. Au-Yong Shong Samuel

Independent Non-executive Directors:
Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP*

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business In Hong Kong:
Suites 911-912, Level 9
One Pacific Place
88 Queensway
Hong Kong

19 January 2018

To the Shareholders

Dear Sir/Madam,

(I) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE SHARE CAPITAL OF THE TARGET COMPANY INVOLVING ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE AND (II) PLACING OF SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

Reference is made to the Announcement disclosing, amongst other things, the followings:

(i) on 24 November 2017 (after trading hours), the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has agreed to acquire and the Vendor has agreed to sell the Sale Shares at the Consideration of HK$268 million (subject to adjustment);

(ii) on 24 November 2017 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has agreed to appoint the Placing Agent as the placing agent to place and the Placing Agent has agreed to procure subscribers to subscribe for up to 68,600,000 Placing Shares at the Placing Price of HK$1.5 per Placing Share on a best effort basis; and

(iii) Acquisition Completion and Placing Completion are inter-conditional.

The purpose of this circular is to provide you with, among other things, further details of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the CN Specific Mandate and the Placing Specific Mandate; and (iv) the notice of the EGM.

I. THE ACQUISITION

On 24 November 2017 (after trading hours), the Vendor and the Company entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell to the Company, and the Company has agreed to purchase from the Vendor, the Sale Shares at the Consideration of HK$268 million, which shall be settled by the issue of the CNs and the payment of cash.

Sale and purchase agreement

Major terms of the Sale and Purchase Agreement are set out below:

Date

24 November 2017 (after trading hours)

Parties

(i) the Company; and

(ii) the Vendor

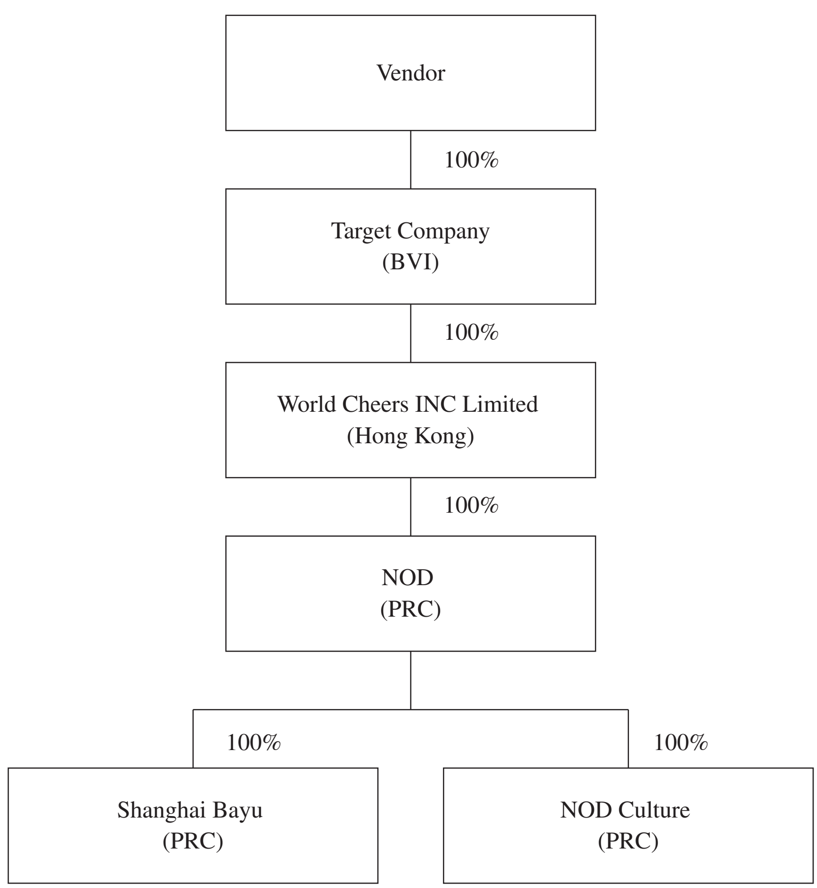
Mr. Liu, the Vendor, is a merchant as well as the president and founder of the Target Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Vendor is an Independent Third Party.

Assets to be acquired

Subject to fulfilment of the conditions precedent of the Sale and Purchase Agreement as set out below in the paragraph headed "Acquisition conditions precedent" in this circular and the terms and conditions of the Sale and Purchase Agreement, the Vendor shall sell as legal and beneficial owner the Sale Shares free from any encumbrances, equities, claims and adverse interests whatsoever, and together with all rights now and hereafter attaching or accruing to them (including the right to receive all dividends and distributions declared, made or paid in respect of the Sale Shares on or after the date of the Sale and Purchase Agreement) and the Company, relying on the warranties given by the Vendor under the Sale and Purchase Agreement, shall purchase (or procure such subsidiary as it may designate to purchase) the Sale Shares on Acquisition Completion at the Consideration of HK$268 million (subject to adjustment).

Corporate structure of the Target Group

The corporate structure of the Target Group as at the Latest Practicable Date is shown as below:



Information on the Target Group

The Target Company is an investment holding company incorporated in the BVI with limited liability which is wholly-owned by the Vendor.

NOD, the main operating subsidiary of the Target Company, is a company established in the PRC with limited liability and is, together with its subsidiaries, principally engaged in bar and club membership, wine and liquor promoting and event organising businesses by providing professional, precise and comprehensive services to the entertainment industry in the PRC, and owns an extensive and complete product chain in the entertainment industry in the PRC by providing a range of products and services encompassing beverage promotion, lighting and sounds, decorations, business training, consultations, procurement and supply management, brand management and chain operation management.

NOD Union (transliterated as 諾笛聯盟), a registered trademark in the PRC, was initiated in 2015 with a mission to establish the first comprehensive information and resources sharing platform in the entertainment industry which has formed the industry advisory panel of external experts in the fields of entertainment business management, interior design, entertainment equipment production and distribution, performing arts and wines and spirits business.

Leveraging on the brand of NOD Union (transliterated as 諾笛聯盟), the Target Group has developed a well-established client network across the PRC with over 1,500 members of nightclubs, bars and lounges in the entertainment industry for its comprehensive business consulting and event planning services. In order to provide comprehensive business consulting and event planning services to the members under NOD Union, the Target Group has also built up strong partnership with specialists in different fields of entertainment industry, such as alcoholic beverage suppliers, brand consultants, hardware support and interior design experts.

Since 2016, the Target Group has established business relationship with two top multinational alcoholic beverage suppliers which possess certain finest and luxurious brands of wine, whisky and champagne across the globe. Under the leadership of the management of the Target Group with extensive industrial knowledge and business network in the entertainment industry of the PRC, NOD has completed the planning and execution of more than 300 product promotion events in the PRC for the aforementioned two alcoholic beverage suppliers in 2016. In the third quarter of 2017, the client portfolio of the Target Group has expanded to the industry of property development. The Target Group has also started to provide comprehensive brand management and entertainment business consulting services to a national real estate developer which is a member of Top 500 in the world with around 500 real estate projects in over 180 cities of the PRC.

Currently, NOD, as the operating company of the Target Group, holds a council member position in 中國文化娛樂行業協會 (transliterated as China Culture & Entertainment Industry Association). It is a national-level organisation in the culture and entertainment field approved by the Ministry of Civil Affairs and supervised by the Ministry of Culture in the PRC. It was founded by several prominent Chinese enterprises in real estate, internet, cultural and entertainment industries, such as one of the largest real estate developers in the PRC with extensive chained theatre networks and one of the largest internet companies in the PRC which is listed on the Stock Exchange.

a. Business model

Set out below is the details of comprehensive business consulting and event planning services provided by the Target Group to its clients in the entertainment industry:

I. Promotion events

The Target Group is engaged in organizing promotion events for leading alcoholic beverage suppliers. Pursuant to the services agreement and as advised by the management of the Target Group, the core services scope of the Target Group for a promotion event mainly includes:

a) Theme design: working closely with the marketing and sales team of the client in terms of target promotion result, relevant budget and relevant products for such promotion campaign, the Target Group designs specific theme and/or delivers the event proposal for the promotion event;

b) Event coordination and execution: based on the event theme and/or the event proposal agreed between the Target Group and the client, the Target Group coordinates the execution of such event in terms of event schedule, venue arrangement, VIP services, artist performance arrangement, as to ensure meeting the client's specific product advertising requirement;

c) Internet marketing services: the Target Group provides general and/or orienteering internet market services through mobile internet platform and website platforms such as WeChat, NOD Union website; and

d) Event organizing: the Target Group organizes and arranges for event venue, decoration, Hi-fi, lighting, costume and other equipment and tools for promotion event.

II. NOD Union memberships

The Target Group provides consulting and marketing services to nightclubs, bars, lounges and other entertainment industry-related downstream suppliers which joined NOD Union. Pursuant to the membership agreements, the union memberships of NOD Union are of different tiers ranked from regular members to gold diamond members with different annual fees paid on quarterly basis. Under the membership agreement of each tier, the Target Group offers a different combination of privileges and services set out as below:

a) Access to the database of NOD Union: the database of NOD Union offers members comprehensive up-to-date market information of artist agency, venue design and renovation, Hi-fi equipment and inventory supply, etc.;

b) Internet marketing services: the Target Group provides general and/or orienteering internet marketing services through mobile internet platform and website platforms such as wechat, NOD Union website;

c) Visual identity services: the comprehensive corporate visual identity services include logo design, fonts design, poster design, design for peripheral products under the visual identity and consulting services on displays of visual identity;

d) Regular event planning services: regular event planning services offer customized events planning with theme design, execution plan, proposal for corresponding decoration, tools and equipment advisory;

e) Regular operation review and consulting services: On-site operation review and analysis by the industry experts of NOD Union are conducted on a regular basis with on-site operational advices and/or deliverables for business strategy and operation improvements and enhancements;

f) Regular lighting, Hi-fi and equipment design review and consulting services: On-site lighting, Hi-fi, costume and other music equipment and tools design review and analysis by the industry experts of Nod Union are conducted on a regular basis with on-site advices and/or deliverables for lighting design improvement and enhancement;

g) Regular products review and consulting services: The guidelines on beverage pricing, wine menu, food and beverage combo are provided by the industry experts of NOD Union on a regular basis based on the latest market information and trends in the operating region of each specific member. Staffs of NOD Union members will also be provided with regular training on their knowledge of various alcoholic beverages;

h) Regular interior design review and consulting services: Interior design reviews by the industry experts of NOD Union are conducted on a regular basis with on-site advices and/or deliverables for interior design improvements and enhancements; and

i) NOD Union summits: the Target Group provides complimentary VIP places and guest places for regular national and regional NOD Union summits as a notable channel for information sharing and networking in the entertainment industry.

III. Ad-hoc consultancy services

The Target Group also provides ad-hoc consultancy services for the clients mainly in the entertainment industry which is a marketing means of the Target Group to recruit new NOD Union members by providing ad-hoc services to meet their specific needs at the very beginning of business cooperation. Such services scope varies based on different clients' needs, including but not limited to technical support on lighting, sound design, interior design, inventory and equipment procurement, brand consulting and customized business strategy planning and the stages of their business development.

b. Revenue generation methods

The Target Group derives revenue under the business model as follows:

I. Promotion income: revenue is generated by organizing promotion events for notable alcoholic beverage suppliers;

II. Membership income: under different tiers of NOD Union memberships, annual fees differ with respect to the ranking of the members which are paid on quarterly basis.

III. Consultancy services income: revenue is generated from ad-hoc consultancy services provided to clients.

A majority of the revenue of the Target Group is generated from promotion income. For the year ended 31 December 2016, and the nine months ended 30 September 2016 and 2017, (i) promotion income contributed approximately 81.4%, 84.8% and 56.7% of the total revenue, respectively; (ii) membership income contributed 10.3%, 8.1% and 38.8% of the total revenue, respectively; and (iii) the remaining revenue were contributed by consultancy services income.

c. Legal and regulatory framework

According to the opinions from the PRC Legal Advisers:

1. The types of business in which the Target Group engages in include provision of services of marketing and sales planning, commercial information consultation, conference and exhibition display, advertising and promotion, advertisement design and production, corporate image planning and advertisement publication service through its own media to corporate clients engaging in food and beverage and entertainment businesses;

2. The aforementioned actual business activities are in line with the respective registered scope of business and the requirements of the articles of association of each member of the Target Group;

3. Save for the advertisement design and production service which shall be subject to the compliance of the Advertising Law of the People's Republic of China by the Target Group, other businesses of each member of the Group do not involve specific applicable laws, regulations, policies and rules and are not subject to any examinations or inspections, as long as their operations are in compliance with general regulations;

4. In the event that Shanghai Bayu and NOD Culture intend to carry out performance and agency businesses, they shall comply with the Regulation on the Administration of Commercial Performances (《營業性演出管理條例》) promulgated by the State Council and the Detailed Rules for the Implementation of the Regulation on the Administration of Commercial Performance (《營業性演出管理條例實施細則》) promulgated by the Ministry of Culture and obtain the Commercial Performance License (營業性演出許可證) issued by the competent authority of culture. Although neither Shanghai Bayu nor NOD Culture has commenced such business, they have both acquired business licenses thereof which are valid till 18 November 2018 and 28 March 2019, respectively;

5. Furthermore, (i) in the event that NOD intends to carry out business activities by way of franchise, it shall comply with the Regulation on Administration of Commercial Franchises (《商業特許經營管理條例》) and file with the competent authority of commerce within 15 days from the execution of the first franchising contract. Currently, NOD has not yet commenced such business nor has it carried out such filing procedures; (ii) in the event that NOD intends to carry out export business, it shall comply with The Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) and the Measures for the Archival Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》) and carry out the filing and registration procedures of foreign trade operators with the Ministry of Commerce. Save for the changes to the registration, such registration shall be valid permanently until the date of completion of its cancellation with the corporate registration authority by the operator or revocation of the business license by the registration authority. Currently, NOD has not commenced such business, nor has it carried out such filing procedures; and

6. Save for the above, the Target Group is not required to obtain any other licenses, permits or authorization to carry out its business. According to the due diligence review conducted by the PRC Legal Advisers, there was also no irregularity on the business operation of the Target Group in the past.

Information on the management of the Target Company

Mr. Fan Zhibiao (范志彪) ("**Mr. Fan**")

Mr. Fan is currently the chief executive officer of NOD, who is a seasoned professional executive in brand management and business development in entertainment industry of the PRC. He used to hold different senior management positions in various notable entertainment corporations. Mr. Fan was awarded as one of the most influential industrial leaders in the entertainment industry in 2016 jointly by 品牌聯盟(北京)諮詢股份有限公司 (transliterated as Brand Union (Beijing) Consulting Co., Ltd.) and 中國會展經濟研究會 (transliterated as China Convention Society).

Mr. Xu Feng (許楓) ("**Mr. Xu**")

Mr. Xu is currently the chief operating officer of NOD, who is both a seasoned professional executive in brand management and business development and a well-known artist in the entertainment industry in the PRC. Mr. Xu was a member of a well-known boy band, being 中國力量 (transliterated as China Power) and therefore developed a well-established network among both the entertainment industry and artist agencies in the PRC. Being an artist, Mr. Xu was also able to expose himself in the brand management and consulting business in the entertainment industry. Prior to joining NOD, Mr. Xu also held a senior management position in a notable entertainment group in the PRC. Mr. Xu was invited to be the speaker for many regional summits of the entertainment industry and the summit of the above-mentioned national real estate developer to share his insights of the entertainment industry and management philosophies. He also attended interviews with several entertainment and fashion magazines as to share his professional working experience in the entertainment industry and management philosophies.

The Vendor undertook to the Company to procure each of the key management staffs of the Target Group as determined by the Company to enter into the service contracts with the relevant Target Group Company in the manner and upon the terms and conditions to the absolute satisfaction of the Company. Subject to arm's length negotiation for their remuneration packages upon Acquisition Completion, it is the intention of the Group to retain a majority of the senior management and the department heads of the Target Group and continue to maintain cooperative business relationship with the industry advisory panel of NOD Union. The Vendor, being the founder and the chairman of the Target Group, has also agreed to be retained as the chief strategic adviser of the Target Group upon Acquisition Completion so as to ensure smooth transition and operation of the Target Group. The Directors consider the Group, being a listed company on the Stock Exchange, will provide a synergistic platform to retain the management of the Target Group as well as maintain cooperative business relationship with the industry advisory panel of NOD Union.

Business prospects

The economy of the PRC has witnessed a period of fast-pacing growth in recent years. According to the National Bureau of Statistics of China, the nominal GDP of the PRC increased from approximately RMB54.0 trillion to approximately RMB74.4 trillion, representing a CAGR of approximately 8.3% from 2012 to 2016 and the GDP of the PRC is still expected to experience a stable growth with a CAGR of approximately 7.9% from 2017 to 2021. Due to the steady growth of GDP, the PRC has been experiencing an explosive growth of emerging middle class. With reference to the statistics published by the National Bureau of Statistics of China, for 2015 and 2016, the average consumption per capita were approximately RMB21,966 and RMB23,821, which represented an increase of approximately 7.8% and 8.4% in comparison to their previous period, respectively. Driven by the steady growth of GDP, the average consumption per capita is expected to grow continually in the coming years. Driven by the government's continuous effort to enhance average income level and improve living standard, it is expected that the per capita annual disposable income of urban households in the PRC is expected to reach approximately RMB49,000 in 2021, representing a CAGR of approximately 7.6% from 2017 to 2021.

Due to the above favourable macro economic conditions, the Group foresees a drastic increase in demand for the products and services of the cultural and entertainment industry, including activities such as bar hopping and clubbing. NOD Union has currently developed a well-established client network across the PRC with over 1,500 members of nightclubs, bars and lounges in the entertainment industry. The cooperative business relationship with the leading multinational alcoholic suppliers and the well-established client base under the brand of NOD Union has positioned the Target Group as a leading promotion and consulting services provider in the cultural and entertainment industry. Since 2016, the Target Group has established business relationship with two leading multinational alcoholic beverage suppliers, which possess certain finest and luxurious brands of wine, whisky and champagne across the globe. Up to 30 September 2017, NOD has completed the planning and execution of more than 550 product promotion events in the PRC for them. The Directors are optimistic of future business development and growth of the Target Group in the rapid development of cultural and entertainment industry in the PRC driven by steady economic growth and growing middle class population in the PRC.

Financial information of the Target Group

The financial information, which is extracted from the audited consolidated financial statements of the Target Group for the period from 3 October 2014 (the date of incorporation of the Target Company) to 31 December 2015, the year ended 31 December 2016 and the nine months ended 30 September 2016 and 2017, respectively, is set out as below:

	For the period from 3 October 2014 (the date of incorporation of the Target Company) to 31 December 2015	**For the year ended 31 December 2016**	**For the nine months ended 30 September 2016**	**For the nine months ended 30 September 2017**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	(Audited)	(Audited)	(Unaudited)	(Audited)
Revenue	20	76	53	58
Profit before tax	7	22	19	30
Profit after tax	5	17	14	22

Based on the consolidated financial statement of the Target Group, the net assets of the Target Group was approximately HK$44 million as at 30 September 2017. Upon Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated into the financial statements of the Company upon Acquisition Completion.

Having considered (a) the proven financial track records and seasoned management team of the Target Group; (b) the well-established client bases of the Target Group; and (c) the extensive network and resources of the Target Group in the entertainment industry of the PRC, the Directors (including the independent non-executive Directors) are of the view that the Target Group will achieve a sustainable business growth in the forthcoming years.

Valuation

The valuation of the Target Group conducted by JLL as at 30 September 2017 is set out in the valuation report contained in the Appendix V to this circular with the following key valuation methodology, selection criteria for comparables, and assumptions regarding parameters of the discount for lack of marketability under the Black Scholes model:

Valuation methodology

The income approach and cost approach are inappropriate for valuing the Target Group. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject business.

In view of the above, JLL has adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, convenience and the need for fewer or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

Under the market approach, the market value of the 100% equity interest in the Target Group was developed through the application of a market approach technique known as the guideline public company method. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the Target Group. In order to reflect the latest financial performance of the Target Group, JLL considered that the suitable multiple in this valuation is the price-to-earnings ratio, which is defined as the current market price to trailing 12-month net profit attributable to owners of the Target Group up to 30 September 2017.

Selection criteria for comparable companies

In determining the price multiple, the selection criteria by JLL include: (i) the comparable companies are publicly listed; (ii) the companies derive most, if not all, of their revenues from the advertising and marketing sector with event marketing and brand management business; (iii) due to the scarcity of the listed companies with the abovementioned business solely operating in the PRC, JLL made reference to the comparable companies operating in the Asia-Pacific region; and (iv) the comparable companies are searchable in Bloomberg. Based on these selection criteria and the revenue derived from the advertising and marketing sector in the latest financial year of each company, a list of ten comparable companies was identified and JLL is of the opinion that each of them is considered as a fair and representative sample.

Assumptions regarding parameters of the discount for lack of marketability under the Black Scholes model

Given the fact that the Target Group is not a publicly listed company as at 30 September 2017, JLL has considered a discount for lack of marketability when valuing the market value of the Target Group.

With reference to a study "Option Pricing as a Proxy for Discount for Lack of Marketability in Private Company Valuations" by David B. H. Chaffee, JLL has adopted the Black Scholes option pricing model with the following parameters to estimate the discount for lack of marketability. In the Black Scholes model, since JLL is calculating a percentage for the discount, JLL set the spot price to be 1.00 for simplicity. JLL also applied 1.00 to be the exercise price as the put option is at-the-money according to the study by Chaffee. The risk free rate was based on the yield rate on 2-year CNY China sovereign curve from Bloomberg, while the volatility was set with reference to those of the comparable companies from Bloomberg. JLL assumed 2 years as maturity and it is an approximation of holding period with reference to a market study and assuming that a market participant who owns a business entity similar to the Target Group would dispose of that business entity. The holding period encompasses the period necessary to complete marketing and selling activities, such as drafting marketing and selling documents, identifying and screening buyers, assisting buyers with due diligence etc.

Based on the above parameters, the discount for lack of marketability applied by JLL is 20.85%.

Assessment on the valuation by the Group

In order to assess the competency of JLL, the Directors have reviewed and enquired its qualification and experience. The Group has checked the website of JLL and noted that JLL is a recognised valuation company across the globe. Meanwhile, Mr. Simon M.K. Chan, the regional director of JLL, who is responsible for signing the valuation report contained in the Appendix V to this circular, is a CPA Fellow member of the Hong Kong Institute of Certified Public Accountants, a CPA Fellow member of CPA Australia and an International Certified Valuation Specialist with over 10 years' experience in providing valuation services to numerous listed and private companies in different industries worldwide, including advertising and marketing companies. Similarly, the Group has checked the website of the Stock Exchange and noted that Mr. Simon M.K. Chan of JLL has substantial experience in providing valuation services to listed companies. The Directors understand from their enquiry with JLL that it is a third party independent of the Group, the Target Group and any parties acting in concert with any of them and did not have any business relationship except the issue of valuation report of the Target Group. The Directors have also reviewed the scope of services provided under the engagement of JLL by the Company and noted that the scope of work is appropriate to the opinion given in the valuation report and there were no limitations on the scope of work. Thus, the Directors consider JLL is qualified and possesses sufficient relevant experience in performing the valuation of the Target Group.

To assess the above valuation methodology and assumptions applied by JLL, the Directors have discussed the valuation result with JLL, including specifics on basis and assumptions used, and valuation approaches employed and the reasons therefor. The Directors understand that JLL has adopted the above valuation methodology and assumption for arriving at the valuations for the Target Group as set out above and in the Appendix V to this circular. The Directors have discussed the overall approach to the valuation and asked for the rationale behind in selecting the relevant valuation methodology for the Target Group. In order to reflect the latest financial performance of the Target Group, JLL considered that the suitable multiple in this valuation is the price-to-earnings ratio. The Directors understand that the financial ratios of price-to-book ratio and price-to-earning ratio are commonly adopted multiples in trading multiples analysis for the purpose of assessing the fairness and reasonableness of the considerations of the merge and acquisition transactions. Having considered (i) the Target Group is principally engaged in comprehensive business consulting and event planning business in the PRC, which is apparently not a capital and asset intensive business (the property, plant and equipment of the Target Group of approximately HK$1.2 million as at 30 September 2017 mainly comprising of computer systems and leasehold improvement represented approximately 1.5% of the total assets of the Target Group as at 30 September 2017); (ii) the Target Group possessed extensive market resources in the entertainment industry in the PRC under the NOD Union, which is not directly illustrated and reflected throughout the financial statements of the Target Group; and (iii) the seasoned management team of the Target Group is an important factor to both the profitability and business performance of the business of the Target Group but it is also not a quantitative factor to be demonstrated through the financial statements of the Target Group; the Directors concur with JLL that the suitable multiple in this valuation to assess the fairness and reasonableness of the Consideration is the price-to-earnings ratio. In addition, JLL determined the normalised 12-month net profit of the Target Group by using the audited financial figures for the financial years ended 31 December 2016 and 2017 and the unaudited financial figures for the nine months ended 30 September 2016 reviewed by the reporting accountant of the Group (the "**Report Accountant**"). Based on the review of the Reporting Accountant in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA, it is concluded that nothing has come to the attention of the Reporting Accountant that caused them to believe the unaudited financial figures of the Target Group for the nine months ended 30 September 2016 were not prepared, in all material respects, in accordance with the basis of preparation as set out in the note 2 to the historical financial information of the Target Group in Appendix II to this circular. In light of the verification works performed by the Reporting Accountant on behalf of the Group, the Directors concur with JLL on the approach and are satisfied of the level of accuracy on the computation of the normalised 12-month net profit of the Target Group by JLL. Overall, the Directors are advised by JLL that the valuation of the Target Group was carried out in compliance with the International Valuation Standards. Given the valuation methodology applied by JLL is generally accepted and the fact that the valuation was carried out in accordance the International Valuation Standards, the Directors concur with JLL on the valuation approaches and assumptions that it has taken in the valuation of the Target Group.

Consideration and payment terms

The Consideration in the amount of HK$268 million shall be satisfied in the following manner upon Acquisition Completion:

(i) HK$168 million shall be settled by the issue of the CNs; and

(ii) HK$100 million shall be settled in cash by the net proceeds to be raised from the Placing.

The CNs Certificates shall be held in escrow by the Company upon Acquisition Completion and shall be released and delivered to the Vendor in the manner as set out in the paragraph headed "Profit guarantees" below in this circular.

The Consideration was determined after arm's length negotiations between the Company and the Vendor, taking into account, among other things, (i) the market value of the entire equity interest in the Target Group of approximately HK$330 million as at 30 September 2017 according to valuation report prepared under market approach issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer, as set out in the Appendix V of this circular; (ii) the profit guarantees to be provided by the Vendor as set out in the paragraph headed "Profit guarantees" below in this circular; (iii) the competitive strengths of the Target Group, particularly its proven financial track records and seasoned management team in the field of brand management for entertainment industry which creates synergy to the Group's expanding brand management services business; and (iv) the unpaid subscribed registered capital of NOD in the amount of US$1,500,000.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Consideration pursuant to the Sale and Purchase Agreement is on normal commercial terms, which is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Profit guarantees

Pursuant to the Sale and Purchase Agreement, the Vendor irrevocably warrants, guarantees and undertakes that the consolidated net profit (after taxation and excluding any profit (loss) deriving from activities not within the ordinary and usual course of business) (the "**Net Profit**") of the Target Group shall not be less than the guaranteed Net Profit (the "**Guaranteed Profit**") for each of the relevant periods as set out in the following table:

Profit guarantee periods	**Guaranteed Profit**
For the year ending 31 December 2018	HK$27 million
For the two years ending 31 December 2019	HK$73 million
For the three years ending 31 December 2020	HK$133 million

The First CNs Certificates shall be released and delivered to the Vendor within 14 Business Days after the issue of the consolidated audited accounts of the Target Group for the year ending 31 December 2018 if, and only if, the Net Profit of the Target Group for the year ending 31 December 2018 is not less than the relevant Guaranteed Profit for the corresponding period as set out in the above table.

The First CNs Certificate (if not previously released and delivered) and the Second CNs Certificates shall be released and delivered to the Vendor within 14 Business Days after the issue of the consolidated audited accounts of the Target Group for the year ending 31 December 2019 if, and only if, the Net Profit of the Target Group for the two years ending 31 December 2019 is not less than the relevant Guaranteed Profit for the corresponding period as set out in the above table.

All CNs certificates (if not previously released and delivered) shall be released and delivered to the Vendor within 14 Business Days after the issue of the consolidated audited accounts of the Target Group for the year ending 31 December 2020 if, and only if, the Net Profit for the three years ending 31 December 2020 is not less than the relevant Guaranteed Profit for the corresponding period as set out in the above table.

In the event that the actual Net Profit of the Target Group for the three years ending 31 December 2020 (the "**Actual Profit**") shall, in aggregate, be less than the relevant Guaranteed Profit for the corresponding period as set out in the above table:

(a) the Consideration shall be adjusted downward by a sum determined in accordance with the following formula,:

$$X = (B - C) \times 3$$

where X is the amount of the relevant downward adjustment of the Consideration, provided that if such adjustment exceeds the Consideration, then it shall be equal to the Consideration;

B is the Guaranteed Profit of HK$133 million for the three years ending 31 December 2020; and

C is the Actual profit;

(b) such downward adjustment of the Consideration shall be effected (at the sole and absolute discretion of the Company) by: (i) reducing the principal amount of the CNs whose certificate(s) remain(s) to be held by the Company in escrow and not having been released to the Vendor as described above; and/or (ii) reimbursement and compensation by the Vendor to the Company in cash, as the case may be.

For the avoidance of doubt, if the Target Group records a net loss for the three years ending 31 December 2020, the Consideration will be adjusted to zero.

The Vendor and the Company agreed that in the event that the Actual Profit exceeds HK$133 million, no adjustment shall be made to the Consideration.

When assessing the profit guarantee undertaken by the Vendor pursuant to the Sale and Purchase Agreement, the Group has performed the following due diligence:

(i) The Group has conducted site visit to the Target Group and interviews with its management as to make due and careful enquiry on its business model, management structure and business operation. Apart from the audit work performed by the reporting accountant of the Group, the Directors also employed an independent consulting firm to perform additional due diligence work for better understanding of the assets and liabilities as well as the operation of the Target Group;

(ii) The Group also performed market research on the business potential of the cultural and entertainment industry in the PRC in terms of growth of national GDP, purchasing powers and emergence of middle class population. The Directors are optimistic of future business development and growth of the Target Group in the rapid development of cultural and entertainment industry in the PRC (for details, please refer to section headed "Business prospects" of the letter from the Board);

(iii) The Group reviewed the financial statements of the Target Group for the period from 3 October 2014 (date of incorporation of the Target Group) to 31 December 2015, the financial year ended 31 December 2016 and the nine months period ended 30 September 2017, and is confident in the profit growth and the financial status of the Target Group based on its proven financial track record (for details, please refer to Appendix II to this circular); and

(iv) The Group reviewed the business plan of the Target Group for the three years ending 31 December 2020 and has made due and careful enquiry to the management of the Target Group in this regard.

In light of the above-mentioned rapid growth of cultural and entertainment industry in the PRC, the Directors are particularly optimistic of the development of alcoholic beverage business under the positive growth trend of bar, nightclub and lounge business in the cultural and entertainment industry. As advised by the Vendor, further to the potential cooperative framework agreements for the financial year ending 31 December 2018 expected to be entered into between the Target Group and the above-mentioned top multi-national alcoholic beverage suppliers after arm's length negotiation, the contract sum for event promotion services to be agreed under the said cooperative framework agreements is expected to be approximately HK$54 million in aggregate. The Directors consider the Target Group with seasoned management team and extensive market resources in the cultural and entertainment industry shall be able to maintain cooperative business relationship with the above-mentioned top multi-national alcoholic beverage suppliers and further expand its event promotion business during the three financial years ending 31 December 2020. In addition, as at the Latest Practicable Date, the Target Group has already entered into long-term diamond grade membership agreements with over 80 recurring NOD Union diamond grade members with the remaining tenures ranged from one to four years. Such long-term diamond grade membership agreements on hand are expected to contribute over HK$26 million in average for each of the three financial years ending 31 December 2020. Taking into account (a) numerous notable alcoholic beverage promotion events operated by the Group and the above-mentioned multi-national top alcoholic beverage suppliers; and (b) the persistent high-quality consulting services delivered by the Target Group, the Directors consider the Target Group should be able to retain the existing NOD Union diamond grade members. Nevertheless, the Target Group shall continue its endeavours to convert its current business consulting clients and over 1,400 existing regular NOD Union members to high-tier diamond grade members during the three financial years ending 31 December 2020.

Having considered (a) the continuing cooperative business relationship between the Target Group and the above-mentioned top multi-national alcoholic beverage suppliers for the three financial years ending 31 December 2020; and (b) the growing membership income for the three financial years ending 31 December 2020 as a result of the existing membership agreements on hand and the extensive client resources under the NOD Union, the Directors are of the view that the business development of the Target Group shall maintain its existing pace of growth. Therefore, the Directors consider the net profit CAGR amounting approximately 49% for the Guaranteed Profit during the profit guarantee periods is achievable which will be also in line with the net profit growth rate of approximately 243% for the period from 3 October 2014 (the date of incorporation of the Target Group) to 31 December 2015 and the financial year ended 31 December 2016 and the net profit growth rate of approximately 59% for the nine months periods ended 30 September 2016 and 2017.

Having completed the due diligence above and taking into account the indemnity mechanism to protect the downside risk of the Group undertaken by the Vendor as mentioned above, the Directors are optimistic for the Profit Guarantees undertaken by the Vendor and are of the view that they are in the interest of the Company and the Shareholders as a whole.

Information of the CNs

Set out below are the principal terms of the CNs:

Issuer:	the Company
Aggregate principal amount:	HK$168 million
Authorised denomination:	HK$10 million each and integrate multiples of HK$1 million in excess thereof
Maturity date:	the date of falling the expiry of four (4) years from the date of issue of the CNs
Interest rate:	the CNs shall bear zero interest

Conversion Price: The initial price at which each Share shall be issued upon conversion shall be HK$1.83, subject to adjustment. The initial conversion price of HK$1.83 represents:

(a) a premium of approximately 1.1% to the closing price of HK$1.81 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;

(b) approximately same as the average closing price of approximately HK$1.83 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(c) a discount of approximately 2.14% to the average closing price of approximately HK$1.87 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(d) a discount of approximately 24.38% to the close price of HK$2.42 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a premium of approximately 1,730% over the audited net asset value of approximately HK$0.10 per Share as at 30 June 2017 (based on the consolidated net assets of the Group of approximately HK$142 million as at 30 June 2017 and 1,376,900,000 Shares in issue as at the Latest Practicable Date).

Assuming that the CNs are fully converted into Conversion Shares at the initial conversion price of HK$1.83, up to a total of 91,803,278 Conversion Shares will be issued which represent approximately 6.67% of the issued share capital of the Company as at the Latest Practicable Date and approximately 6.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The initial Conversion Price was determined by the Company and the Vendor after arm's length negotiations with reference to, among other things, the prevailing market price of the Shares, which is approximately the same as the average closing price of approximately HK$1.83 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement. The Directors (including the independent non-executive Directors) consider the initial Conversion Price is fair and reasonable and in the interest of the Company and Shareholders as a whole.

The aggregate nominal value of the Conversion Shares is approximately HK$183,606.56.

Conversion right: Subject to the conversion prerequisites (as detailed below) and other terms and conditions of the CNs, the conversion rights may be exercised on any Business Day from the date of issue of the CNs to the maturity date by the holder of the CNs to convert the whole or part of the principal amount of the CNs into Conversion Shares.

No fraction of a Conversion Share will be issued but an equivalent cash payment in HK$ will be made to the holder of the CNs which proposes to exercise all or any part of its conversion rights in respect of such fraction.

All the outstanding principal amount of the CNs shall be mandatorily converted into such number of Conversion Shares as per the terms and conditions of the CNs.

Conversion prerequisites: The CNs holder shall not be entitled to exercise the conversion rights unless in compliance with all the following conditions:

(i) CNs holder confirmation

No conversion rights may be exercised by the CNs holder unless prior written confirmation has been given by the CNs holder to the Company that (1) no obligation to make a mandatory offer under Rule 26 of Takeovers Code will be triggered on the conversion date after taking into account all the Shares (including the Conversion Shares issued or to be issued) held by the CNs holder, its associates (as defined in the Listing Rules) and persons acting in concert (as defined in the Takeovers Code) with it; or (2) a whitewash waiver in respect of such conversion is, upon application by the CNs holder, granted by the Executive (as defined in the Takeovers Code) and approved by the Shareholders in accordance with the Takeovers Code; or (3) such CNs holder has sufficient financial resources to make a general offer pursuant to Rule 26 of the Takeovers Code.

Although the Conversion Shares only represent approximately 6.0% of the entire issued share capital of the Company immediately upon Placing Completion (assuming all the Placing Shares are fully placed) and full conversion of the CNs at the Conversion Price of HK$1.83 per Conversion Share, the Directors consider such terms are able to cover other possible scenarios and ensure the exercise of the conversion right will be in compliance with the Listing Rules and the Takeovers Code. As advised by the Vendor, he is optimistic about the business development of the Group in the fields of exhibition and brand management and intends to be a long-term financial investor of the Group. Currently the Vendor has no intention to obtain controlling stake in the Company and does not intend to nominate any new Directors to the Company. He has also agreed to be retained as the chief strategic adviser to the Target Group upon Acquisition Completion so as to ensure smooth transition as well as consistent performance of the Target Group.

(ii) Conversion amount

Any conversion shall be made in amounts of not less than a whole multiple of HK$10 million on each conversion unless the principal amount of the outstanding CNs is less than HK$10 million in which case the whole (but not part only) of such outstanding principal amount of the CNs shall be converted.

(iii) Sufficient public float

No conversion rights may be exercised by the CNs holder unless immediately after exercise of such conversion rights, the Company will be able to comply with the public float requirements under the Listing Rules.

(iv) Takeovers code implication

No conversion rights may be exercised by the CNs holder unless the CNs holder provides, to the reasonable satisfaction of the Company, evidence that (1) such CNs holder and persons acting in concert with it (as defined in the Takeovers Code) will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code immediately upon conversion; or (2) a whitewash waiver in respect of such conversion is, upon application by the CNs holder, granted by the Executive (as defined in the Takeovers Code) and approved by the Shareholders in accordance with the Takeovers Code; or (3) such CNs holder has fulfilled sufficient financial resources to make a general offer pursuant to Rule 26 of the Takeovers Code.

Anti-dilution adjustments: The Conversion Price shall from time to time be adjusted upon the occurrence of certain events including, but not limited to, the following:

(i) consolidation or sub-division of Shares;

(ii) capitalisation of profits or reserves;

(iii) capital distribution or grant of rights to the Shareholders to acquire for cash assets of the Company or any of its subsidiaries;

(iv) offer to the Shareholders new Shares for subscription by way of rights, or grant to the Shareholders of options or warrants to subscribe for new Shares, at a price which is less than 80% of market price;

(v) issues of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, where the total effective consideration per Share initially receivable for such securities is less than 80% of market price, or the modifications of the conversion, exchange or subscription rights attached to such securities so that the total effective consideration per Share initially receivable for such securities is less than 80% of market price;

(vi) issues of Shares for cash at a price which is less than 80% of market price; and

(vii) issues of Shares for the acquisition of asset at a total effective consideration per Share which is less than 80% of the market price.

Redemption: (a) The CNs may be redeemed in amounts of at least HK$10 million and integral multiples of HK$1 million in excess thereof (''**Redemption Amount**'') at the option of the Company on any Business Day prior to the maturity date by giving not less than seven (7) Business Days' prior written notice to the CNs holder (''**Redemption Notice**''). A Redemption Notice shall be irrevocable once given by the Company to the CNs holder.

(b) The payment to be made by the Company to the CNs holder for redemption of the CNs ("**Redemption Payment**") together with any outstanding interest accrued thereon shall be calculated on the following basis:

Redemption Payment	=	Redemption Amount	+	Interest at the rate equal to the Hong Kong Interbank Offered Rate for six months quoted at 5 p.m. on each of the first Business Day prior to 1 January and 1 July of each year at the website of the Hong Kong Association of Banks plus two percent. per annum (2% p.a.) to be applied as prevailing rate for the six (6) months after each of such rate fixing date on the Redemption Amount accruing on a daily basis from the date of issue of the CNs up to and including the date of redemption

Ranking: The Conversion Shares shall rank *pari passu* in all respects amongst themselves and with all other Shares.

Transferability: The CNs may be assigned or transferred subject to compliance with all the following conditions:

(i) Notification to the Company:

(a) the CNs holder shall give a written notification to the Company at least three Business Days prior to each proposed assignment or transfer; and

(b) the CNs holder undertakes to give a written notification to the Company at least three Business Days prior to each proposed assignment or transfer informing the Company the identity of the proposed assignee or transferee; and

(ii) the principal amount to be transferred or assigned must be at least HK$10 million and integral multiples of HK$1 million in excess thereof.

Maturity:

(i) On the maturity date, the total outstanding principal amount of the CNs shall be mandatorily and automatically converted into Conversion Shares as if the conversion right is exercised to the extent that no obligation to make a mandatory offer under Rule 26 of the Takeovers Code will be triggered.

(ii) The outstanding amount of the CNs being converted into Conversion Shares shall be so converted against surrender of the CNs certificate for cancellation.

(iii) The conversion at maturity shall be a good and absolute discharge of the Company's obligations under the CNs.

(iv) Despite the provision for mandatory conversion of the CNs above, the CNs holder shall be entitled to request the Company in writing, at least twenty (20) Business Days prior to the maturity date, to redeem the outstanding amount of the CNs upon its maturity subject to the approval of the Board which shall decide in its sole and absolute discretion for such redemption.

Application for listing:	No application will be made for a listing of the CNs. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Voting rights:	The CNs holder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the CNs holder.

Acquisition Conditions Precedent

Acquisition Completion shall be subject to and conditional upon the satisfaction in full (or at the sole and absolute discretion of the Company, the waiver) of the following conditions:

(a) the Placing shall have completed;

(b) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject only to conditions to which neither the Vendor nor the Company may reasonably object) or agree to grant the listing of, and permission to deal in, the Conversion Shares;

(c) the Shareholders (other than those who are abstained from voting under the Listing Rules, where applicable) shall have approved the Sale and Purchase Agreement and all transactions contemplated thereunder at the EGM in accordance with the Listing Rules;

(d) all other applicable laws, rules and regulations including but not limiting to the Listing Rules and/or the Takeover Codes contemplated under the Sale and Purchase Agreement shall have been complied with by the Company;

(e) the Board shall have approved the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder;

(f) the board of directors of the Target Company shall have approved the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder;

(g) all requisite consents pursuant to the Sale and Purchase Agreement from the proper government and regulatory authority(ies) of all relevant jurisdictions for approving the Sale and Purchase Agreement and the transactions contemplated thereunder shall have been obtained;

(h) the Company shall have been satisfied with the results the Due Diligence Review;

(i) the legal opinions from the legal advisers of the PRC and/or any other relevant jurisdictions acceptable to the Company (all in forms and contents satisfactory to the Company in its absolute discretion) shall have been delivered to the Company;

(j) the valuation report in such form and substance acceptable to the Company shall have been delivered to the Company to its absolute satisfaction;

(k) all outstanding loans and/or liabilities due and owing by the Vendor Group to any member of the Target Group shall have been fully settled;

(l) it has not come to the attention of the Company that the warranties by the Vendor under the Sale and Purchase Agreement being inaccurate and incorrect on the date of the Sale and Purchase Agreement and on each date on which they are deemed repeated, and as if made on, the Acquisition Completion Date; and

(m) it has not come to the attention of the Company that any material adverse changes or effect has occurred prior to the Acquisition Completion Date or are likely to occur whether before the Acquisition Completion Date.

The Company and the Vendor acknowledge and agree that the above conditions precedent shall be deemed not to have been fulfilled upon occurrence of the following:

(a) in case of the above condition (h), the Company notifying the Vendor at any time prior to Acquisition Completion that it is not satisfied with the results of the Due Diligence Review whether or not any explanations or reasons have been given and/or stated in such notification;

(b) in case of the above condition (l), the Company notifying the Vendor at any time prior to Acquisition Completion that the Company has knowledge of some facts which will constitute or are likely to constitute the warranties given by the Vendor as set out in the Sale and Purchase Agreement being inaccurate and incorrect in any respect;

(c) in case of the above condition (m), the Company notifying the Vendor at any time prior to Acquisition Completion that the Company has knowledge of some facts which will constitute or are likely to constitute material adverse changes or effect as referred to in the above condition (m), whether or not any explanations or reasons have been given and/or stated in such notification.

The Vendor and the Company may by agreement waive in whole or in part any of the above conditions precedent (except the above conditions precedent (a) to (g) and (k)). In the event that any of the above conditions precedent are deemed not to have been fulfilled or are not fulfilled, in each case, at or before 1:00 pm on the Acquisition Long Stop Date or such later date as the Vendor and the Company may from time to time agree in writing, the Sale and Purchase Agreement and everything contained in it shall terminate and be null and void and of no further effect and no party to the Sale and Purchase Agreement shall have any liability to any other party, save in respect of any prior breaches of the Sale and Purchase Agreement.

Each of the Vendor and the Company shall use his or its best endeavours to ensure that the above conditions precedent shall be fulfilled by the Acquisition Long Stop Date.

Acquisition Completion

Pursuant to the Sale and Purchase Agreement and subject to fulfilment of the above conditions precedents, Acquisition Completion shall take place at the office of the Company on the Acquisition Completion Date, or at such other place and time as shall be mutually agreed in writing by the Company and the Vendor, when all (but not part of) the relevant formalities of Acquisition Completion stipulated in the Sale and Purchase Agreement shall take place.

II. THE PLACING

On 24 November 2017 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to appoint the Placing Agent as the placing agent to place and the Placing Agent has agreed to procure Placees to subscribe for up to 68,600,000 Placing Shares at the Placing Price of HK$1.5 per Placing Share, on a best effort basis, pursuant to the terms and conditions set out in the Placing Agreement.

The Placing Agreement

Major terms of the Placing Agreement are set out below:

Date

24 November 2017 (after trading hours)

Parties

(i) the Company; and

(ii) the Placing Agent

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owners are the Independent Third Parties.

Placees

It is currently expected that there shall be not less than six (6) Placees. Such Placees and their respective ultimate beneficial owners shall be Independent Third Parties. It is expected that none of the Placees will become a substantial Shareholder of the Company immediately upon Placing Completion.

As at the Latest Practicable Date, no placee has been identified yet.

Placing Shares

The Placing Agent has conditionally agreed to place, on a best effort basis, a total of up to 68,600,000 Placing Shares to not less than six (6) Placees at the Placing Price.

The 68,600,000 Placing Shares represent (i) approximately 4.98% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 4.75% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares; and (iii) approximately 4.46% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Conversion Shares. The aggregate nominal value of the Placing Shares is HK$137,200.

The Placing Shares will be issued under the Placing Specific Mandate to be approved by the Shareholders at the EGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves, and with the existing Shares in issue.

Placing price

The Placing Price of HK$1.5 per Placing Share represents:

(a) a discount of approximately 17.13% to HK$1.81, the closing price of the Shares on the Stock Exchange on the date of the Placing Agreement;

(b) a discount of approximately 18.03% to HK$1.83, being the average closing price of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to the date of the Placing Agreement;

(c) a discount of approximately 19.79% to HK$1.87, being the average closing price of the Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to the date of the Placing Agreement;

(d) a discount of approximately 38.02% to the close price of HK$2.42 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a premium of approximately 1,400% over the audited net asset value of approximately HK$0.10 per Share as at 30 June 2017 (based on the consolidated net assets of the Group of approximately HK$142 million as at 30 June 2017 and 1,376,900,000 Shares in issue as at the Latest Practicable Date).

The gross and net proceeds from the Placing are approximately HK$103 million and approximately HK$100 million, respectively. The estimated net price for each Placing Share is approximately HK$1.46.

The Placing Price was determined by the Company and the Placing Agent after arm's length negotiations with reference to, among other things, the prevailing market price of the Shares and the financial performance of the Group. The daily closing prices of the Shares as quoted on the Stock Exchange for the six months prior to the date of the Placing Agreement (the "**Relevant Period**") fell within the range of HK$1.42 per Share to HK$2.13 per Share. The Placing Price, after arm's length negotiation between the Group and the Placing Agent, represents a discount of approximately 15.25% to the average daily closing price of the Shares of approximately HK$1.77 per Share on the Stock Exchange in the Relevant Period. During the Relevant Period, the average daily trading volume of the Shares to the average total issued Shares was approximately 0.49% which is considered to be of thin liquidity. For the financial years ended 30 June 2016 and 2017, the Group recorded consecutive losses for the year of approximately HK$68.7 million and HK$39.3 million respectively. Having considered (i) the Placing Price representing a discount of approximately 15.25% to the average daily closing price of the Shares on the Stock Exchange in the Relevant Period; (ii) the thin trading volume of the Shares on the Stock Exchange in the Relevant Period; and (iii) the consecutive loss position of the Group for the financial years ended 30 June 2016 and 2017, the Directors (including the independent non-executive Directors) consider that the Placing Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole as to attract potential investors to be procured by the Placing Agent.

Placing Commission

The Placing Agent will receive a placing commission of 2.5% of the aggregate Placing Price of the actual number of Placing Shares being placed by the Placing Agent.

Placing conditions precedent

Placing Completion is conditional upon:–

(a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares;

(b) the passing of a resolution by the Shareholders to approve the allotment, issue and dealing with Placing Shares at the EGM;

(c) the Sale and Purchase Agreement having become unconditional in all respects (other than the Placing having completed); and

(d) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provisions regarding force majeure events.

Placing Completion, in any event, will take place on a date falling within four business days after the fulfilment of the above conditions or such later date to be agreed between the Company and the Placing Agent. If the above conditions are not satisfied and/or waived (as to the above condition (d) only) in whole or in part by the Placing Agent prior to 5:00 p.m. on or before the Placing Long Stop Date, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the Company and the Placing Agent thereunder will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches thereof).

The Placing Agent shall, in accordance with terms and conditions of the Placing Agreement, use its best endeavours to procure, and shall give all necessary assistance to the Company, in, the satisfaction of the above conditions.

Termination

(a) Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (i) the Placing Completion; (ii) the Placing Long Stop Date if the above conditions have not been satisfied (or waived as the case may be); and (iii) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.

(b) The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 9:00 a.m. on the date of the Placing Completion, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events as defined in the Placing Agreement.

(c) If, at or prior to 9:00 a.m. on the date of the Placing Completion:

    (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or

    (ii) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the circulars relating to the Placing; or

(iii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing,

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

(d) Upon giving of the aforesaid notice, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

Fund raising activities in the past twelve months

The following table summarises the equity fund raising activities of the Company during the last 12 months prior to the date of this circular:

Date of announcements	Fund raising activity	Approximate net proceeds *(HK$)*	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
19 May 2017, 26 May 2017, 9 June 2017	Placing of new Shares under general mandate	HK$97.2 million	General working capital of the Group and/or future investments if opportunities arise	The placing under general mandate has lapsed on 9 June 2017
6 December 2016, 23 December 2016	Placing of new Shares under general mandate	HK$92.4 million	General working capital of the Group and/or future investments if opportunities arise	As to (i) HK$40 million was used to acquire a target group to strengthen and enhance the Group's exhibition business in China (details of which are set out in the announcement of the Company dated 10 February 2017); (ii) HK$30 million was deposited to subscribe a private equity fund (details of which are set out in the announcement of the Company dated 31 October 2017); and (iii) approximately HK$22.4 million was used for general working capital of the Group

Save for the above, as at the date of this circular, the Company has not conducted any other equity fund raising activities during the last twelve months prior to the date of this circular.

III. REASONS AND BENEFITS OF THE ACQUISITION AND THE PLACING AND USE OF PROCEEDS FOR THE PLACING

The Group is principally engaged in management, as well as the organisation of trade exhibitions and the provision of exhibition related service for other exhibition organisers or project managers. The Group is also engaged in the business of brand management of club and bar, and money lending.

As mentioned in the annual report of the Company for the year ended 30 June 2017, it is the intention of the Group to diversify its business operations, further expand its income source and explore any synergistic investment and development opportunities which may help capitalise on any growth opportunities and thereon enhance the Shareholders' value. Accordingly, the Group intends to expand its business operations to money lending, clubbing and entertainment market in the PRC and other future investment opportunities which may arise from time to time.

Further details of the financial and trading prospects of the Group are set out in Appendix I.

The Acquisition

Albeit the Group has witnessed sluggish overall growth in the global economy, the overall PRC economy showed stable and healthy development momentum. Steady economic growth and a growing middle class population in the PRC all contribute positively to increasing disposable income, which is an important factor that drives the needs of consumer goods and eventually the needs of consumer goods expo. With the rise of middle class, the Group also foresees a drastic demand on cultural and entertainment needs, including activities such as bar and clubbing.

The Group has already propelled a remarkable progress in acquiring a company in providing bar brand services under the names of "PHEBE", "菲芘", "MT" and "U.CLUB" in various cities in the PRC such as Shanghai, Suzhou, Yixing, Hefei, Nantong and Beihai.

Having considered, among other things:

(i) the proven track record of the Target Group in the previous financial years attributable to its well-established client bases and the seasoned management team as mentioned in the section of this circular headed "Assets to be acquired";

(ii) the Sale and Purchase Agreement has provided the profit guarantees to be undertaken by the Vendor covering three years endings 31 December 2018, 2019 and 2020, together with a corresponding adjustment mechanism on the Consideration, to safeguard the interest of the Company;

(iii) upon Acquisition Completion, the Vendor, being the founder and president of the Target Group will become the CNs holder of the Company which will enforce the quality and consistency of the Target Group's performance and operation and align the interests between the Shareholders of the Company and the Vendor;

(iv) the synergy between the seasoned management team, clients resources, vendors resources and networks in the entertainment industry of the Target Group, and the development of the Group's brand management business in the cultural and entertainment industry of the PRC; and

(v) through an integrated chain of supply between the Group's upstream exhibition production services and the Target Group's downstream network resources in the entertainment industry, the Group is able to utilise its services capacity in the PRC, namely event planning, booth design planning, lighting design, equipment installation and showcase decorations services, to provide customised services to the members of nightclubs, bars and lounges in the PRC,

the Directors (including the independent non-executive Directors) consider the Acquisition presents a valuable investment opportunity to enhance corporate development and broaden the income base of the Group, which will also facilitate the development of the Group's brand management related business.

The Placing

The Company will raise approximately HK$103 million from the Placing. Having considered the reasons and benefits for the Acquisition as mentioned above, the Company intends to apply the proceeds from the Placing for cash payment of the Consideration in the sum of HK$100 million.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the Placing Agreement are on normal commercial terms, and the Acquisition and the Placing are in the interest of the Company and Shareholders as a whole.

IV. FINANCIAL EFFECTS OF THE ACQUISITION AND THE TRANSACTIONS CONTEMPLATED UNDER THE SALE AND PURCHASE AGREEMENT

Upon Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company. The results, assets and liabilities of the Target Company will be consolidated with those of the Group. The unaudited pro forma financial information of the Enlarged Group is prepared as if the Acquisition had taken place on 30 June 2017. The accompanying unaudited pro forma statement of the assets and liabilities of the Enlarged Group has been prepared to illustrate the effect of the Acquisition. The unaudited pro forma statement of the assets and liabilities of the Enlarged Group is set out in Appendix IV to this circular.

Effects on earnings

Upon the Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company. Based on the statements of financial information of the Group as set out in its respective annual reports and the accountants' report of the Target Group as set out in Appendix II to this circular respectively, it is expected that the future earnings of the Enlarged Group will increase as a result of the Acquisition Completion. After considering the outlook of the entertainment industry and the trading prospects of the Target Group as mentioned in the "Letter from the Board" in this circular, the Directors expect that the Acquisition will improve the Group's trading prospects in the future and the Directors consider the Acquisition will contribute to the revenue and earnings base of the Group.

Further information regarding the financial position and financial performance, as well as the management discussion and analysis and other financial information of the Target Group can be found in Appendix II, III and IV to this circular respectively.

Effects on assets and liabilities

Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group as at 30 June 2017 would increase by approximately HK$331.0 million to approximately HK$501.4 million and the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 30 June 2017 would increase by approximately HK$234.4 million to approximately HK$262.7 million after the Acquisitions, assuming that completion of the Acquisition and the Placing had taken place on 30 June 2017.

Further details of the unaudited pro forma statement of the assets and liabilities of the Enlarged Group are set out in Appendix IV to this Circular.

V. EFFECT OF THE ACQUISITION AND THE PLACING ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon Placing Completion; and (iii) immediately upon Placing Completion (assuming all the Placing Shares are fully placed) and full conversion of the CNs at the Conversion Price of HK$1.83 per Conversion Share, for illustration purpose only:

	As at the Latest Practicable Date		Immediately upon Placing Completion (assuming all the Placing Shares are fully placed)		Immediately upon Placing Completion (assuming all the Placing Shares are fully placed) and full conversion of the CNs at the Conversion Price of HK$1.83 per Conversion Share	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Chen Chao	164,235,000	11.9	164,235,000	11.4	164,235,000	10.7
The Vendor	–	–	–	–	91,803,278	6.0
Placees	–	–	68,600,000	4.7	68,600,000	4.4
Other public Shareholders	1,212,665,000	88.1	1,212,665,000	83.9	1,212,665,000	78.9
Total	**1,376,900,000**	**100.0**	**1,445,500,000**	**100.0**	**1,537,303,278**	**100.0**

The Placing Completion and the full conversion of the CNs will not result in a change of control of the Company.

VI. LISTING RULES IMPLICATIONS

Major transaction

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition calculated are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As such, the Acquisition is subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Specific mandates

The Company will seek the Shareholders' approval at the EGM for the grant of the CN Specific Mandate and the Placing Specific Mandate to allot and issue the Conversion Shares and the Placing Shares, respectively. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares and the Placing Shares.

EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, (ii) the Placing Agreement and the transactions contemplated thereunder; and (iii) the CN Specific Mandate and the Placing Specific Mandate. Any Shareholder with a material interest in the relevant transactions as contemplated under the ordinary resolutions and his/her/its close associate will abstain from voting on the relevant resolutions approving the said transactions. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and the Placing and therefore no Shareholder (or his close associate) is required to abstain from voting at the EGM.

A notice convening the EGM to be held at Room Soho 2, 6/F, IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong at 11:00 a.m. on Friday, 9 February 2018 is set out on page EGM-1 to EGM-4 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or adjourned meeting thereof should you so wish, and in such event, the form of proxy shall be deemed revoked.

VOTING BY POLL

All the resolutions set out in the notice of the EGM would be decided by poll in accordance with the Listing Rules and the articles of association of the Company. On a poll, every Shareholder presents in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid Share held. A Shareholder presents in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way. After the conclusion of the EGM, the poll results will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.megaexpoholdings.com.

RECOMMENDATION

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the Placing Agreement are fair and reasonable and the entering into of the Sale and Purchase Agreement and the Placing Agreement is in the interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the Placing Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

By order of the Board
Mega Expo Holdings Limited
Deng Zhonglin
Chairman

1. FINANCIAL SUMMARY OF THE GROUP

The Company is required to set out in this circular the financial information for the last three financial years with respect to the profits and losses, financial record and position, as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for each of the three years ended 30 June 2015, 2016 and 2017 are respectively disclosed in the following documents which have been published on the website of the Company (www.megaexpoholdings.com) and the website of the Stock Exchange (www.hkexnews.hk):

- the annual report of the Company for the year ended 30 June 2015 published on 16 October 2015 (pages 37 to 41);
- the annual report of the Company for the year ended 30 June 2016 published on 24 October 2016 (pages 38 to 42); and
- the annual report of the Company for the year ended 30 June 2017 published on 24 October 2017 (pages 49 to 54).

2. WORKING CAPITAL

The Directors, after taking into account the internal financial resources available to the Group, including bank balances and cash and the effect of the Acquisition and after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular in the absence of unforeseeable circumstances.

3. STATEMENT OF INDEBTEDNESS

Except and apart from intra-group liabilities, the Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

Save as set out in the paragraph headed "Acquisition or proposed acquisition after 30 June 2017" below, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. ACQUISITION OR PROPOSED ACQUISITION AFTER 30 JUNE 2017

Reference is made to the announcement of the Company dated 7 April 2017 in relation to, among others, the sale and purchase agreement dated 7 April 2017 entered into between Ms. Wong Man as the vendor and Super Team Developments Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser in relation to the acquisition of the entire issued share capital of Fortune Selection Limited at a consideration of HK$48,024,000 (subject to adjustments) which was to be satisfied by the issue of interest-free and unsecured convertible bonds by the Company convertible into a maximum of 52,200,000 Shares at the initial conversion price of HK$0.92 (the "**Fortune Selection Acquisition**"). The Fortune Selection Acquisition was completed on 13 July 2017.

Fortune Selection Limited and its subsidiaries are engaged in the provision of bar brand management services under the name of "PHEBE", "菲芘", "MT"and "U.CLUB" in various cities in the PRC, including Shanghai, Suzhou, Yixing, Hefei, Nantong, Beihai. After the Fortune Selection Acquisition, the Group has obtained a list of franchisees operating under the disclosed brands, which allows the Group to gain sharing on income from franchising and provision of bar brand management services. Given the stable and healthy development momentum in the PRC and the drastic demand on entertainment needs with the rise of middle class in the PRC, the Board considers that the Fortune Selection Acquisition is a valuable investment opportunity which allows the Group to enter the brand management business in the PRC. The Directors also consider that the Fortune Selection Acquisition will enable the Company to strengthen and enhance its business profile and its income source in the PRC.

Save for the Fortune Selection Acquisition and the Acquisition, no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company after 30 June 2017 (being the date on which the latest published audited consolidated accounts of the Group were made up) whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Company.

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Fortune Selection Acquisition or the Acquisition.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Operation of exhibition business in the PRC

The Group considers there is enormous business potential in the PRC. During the year ended 30 June 2017, the Group acquired an exhibition and management consulting group based in Shanghai. Details of such acquisition were set out the announcement of the Company dated 10 February 2017 and such acquisition was completed on 3 March 2017. The Group considers the prospects of the PRC exhibition market, including but not limited to semi medium-sized events planning and other exhibition related services, to be optimistic. With favorable macro economic environment and the acquired business network, all can benefit the Group through exploring business opportunities within the region. Since such acquisition completion on 3 March 2017, the Group experienced successful deliveries of a number of event planning in the PRC. We delivered services in more than 30 medium-sized trade and exhibition shows during the second and the third quarter of the year. We facilitated product launch events, overseas real estate exhibition, sales promotion events and music awards ceremony. Looking forward, the Group will continue to develop its project management team, sharpen its expertise as an event service provider and build its reputation from every event it facilitates.

The Group relies previously on outside services providers or subcontractors for exhibition production services, such as booth design planning, equipment procurement, lighting design and showcase decorations. Such reliance relationship has placed the Group a lesser competitive position to serve and response to our customers' needs. Aiming to improve our exhibitors' experience, the Group is evaluating the possibility of offering one-stop exhibition production services from booth design, exhibition equipment procurement and installation to events marketing in the PRC. The Group considers such value-added services serve as a channel to assist the exhibition business growth in the PRC and bring synergy of brand management business to events organising, design and marketing services.

Operation of brand management and brand management related downstream businesses in the PRC

The Group has already propelled a remarkable progress in acquiring a company in providing bar brand services under the name of "PHEBE", "菲芘", "MT" and "U.CLUB" in various cities in the PRC, including Shanghai, Suzhou, Yixing, Hefei, Nantong, Beihai etc. Details of such acquisition can be referred to the announcements of the Company dated 7 April 2017 and 12 July 2017 respectively and such acquisition was completed on 13 July 2017.

After the Fortune Selection Acquisition, the Group has obtained a list of franchisees operating under the disclosed brands, which allows the Group to gain sharing on income from franchising and provision of management services. Between the date of such acquisition completion on 23 July 2017 and the end of third quarter of the year, additional bars and restaurants were interested in joining our franchise platform in order to leverage on our brands. As at 30 September 2017, the number of franchisees increased to 25 and our network of business was extended to Changsha region. In addition to earning sub-licensing income from franchising, we also delivered management advisory services to bars and restaurants, such as interior decoration advisory and visual marketing services. Looking forward, the Group will strive to develop the disclosed brands as brands to offer premium and high-end clubbing and entertainment experience, expand to other parts of the PRC and franchise to potential candidates in suitable location. Taking into account the associated business risks and if opportunities arise, the Group may also consider the possibilities of entering into PRC clubbing and entertainment market by utilising its own prestigious brands resources and its event management expertise.

Operation of exhibition business in Hong Kong

Facing the challenges ahead such as increased competition and increased costs, the Group will be prudent in managing its business operations and evaluating business developing opportunities. The Group may also consider to scale down the operations in Hong Kong while exploring business opportunities outside of Hong Kong at the same time in diversifying the revenue sources and strengthening the competitive advantages, so that the Group can minimize possible exposure to the uncertainties. Looking forward, while continuing to expand the segment of the PRC business, the Group expects to maintain its core exhibition show series in Hong Kong, the Mega Show Series. By the end of October 2017, the Mega Show Series has already been launched.

Money lending business in Hong Kong

Apart from the core exhibition and brand management related business, to further expand our income source, the Group has diversified its business since 18 September 2017 through the acquisition of a company holding a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). It is expected after the completion of the acquisition, such Group can tap into the fast growing money lending industry in Hong Kong. Since such acquisition, in order to further expand our money lending business and to capture more business opportunities in this industry, we have injected certain amounts of financial resources and kept building our own business infrastructure such as human resources recruiting, setting up a system of risk management and internal control for loan application and post loan management. Up to the end of October 2017, we have entered into two medium term loan agreements with an individual and a company respectively. We believe money lending business will bring a reasonable return and broaden the profit base of the Group. The Group will continue to take cautious measures with the expansion of its money lending business in the future.

The Group will continue to put effort to improve and enhance its exhibition and brand management businesses. At the same time, the Group will explore any synergistic investment and development opportunities which help capitalise on any growth opportunities and thereon enhance the Shareholders' value.

Future plans for material investment or capital assets

As mentioned in the annual report of the Company for the financial year ended 30 June 2017, the financial markets volatility and the falling commodity price had posed challenges to the consumer goods manufacturers in Asia which are the Group's target customers. These uncertainties suppressed the customers' intention to launch their exhibition activities and many of them were taking a "wait and see" approach on planning their exhibition events. The potential customers became more cautious in spending and they have also tightened their budgets. Along with the keen competition among exhibition organisers in Hong Kong, the Group's gross margin has been put under pressure. During the financial year ended 30 June 2017, the Group was only able to arrange three trade fairs, namely International Gem & Jewellery Festival in September 2016, Mega Show Part I and Mega Show Part II in October 2016, reflecting a trending down number of fairs and turnover. The Group shall continue its endeavors to diversify income stream and enhance earning profile for its existing exhibition business in Hong Kong and the PRC. Up to October 2017, the Group has again launched the Mega Show Series. It is the intention of the Group to widen its Hong Kong exhibition business to the different fields of high market potential which is in line with the long-term business strategies of the Group to further diversify business risks and create value for Shareholders. Although the Group intends to expand its business portfolio in the brand management business and exhibition business in the PRC and despite the above-mentioned challenges facing by the Group, the Company currently has no intention to enter into (and has not entered into) any negotiation, understanding and undertaking in relation to scale down or disposal of exhibition business in Hong Kong.

The Group will actively seek for market opportunities in order to broaden its capital base and to enhance its income source. As stated in the Annual Report 2017 of the Company, the Group is expected to diversify income stream and enhance earning profile through exploring investment opportunities in PRC, which may or may not include any assets and/or business acquisitions or disposals by the Group. Any such plans will be subject to review and approval by the Board and compliance with the applicable requirements under the Listing Rules where appropriate. The Group may also implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable investment opportunities arise.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHEER SINO INVESTMENT HOLDINGS LIMITED

Introduction

We report on the historical financial information of Cheer Sino Investment Holdings Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on page II-4 to II-45, which comprises the consolidated statements of financial position as at 31 December 2015 and 2016 and 30 September 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 3 October 2014 (date of incorporation) to 31 December 2015, the year ended 31 December 2016 and the nine months ended 30 September 2017 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information of the Target Group"). The Historical Financial Information of the Target Group set out on pages II-4 to II-45 forms an integral part of this report, which has been prepared for inclusion in the circular of Mega Expo Holdings Limited (the "Company") dated 19 January 2018 (the "Circular") in connection with the proposed acquisition of the entire equity interest in the Target Company (the "Acquisition").

Director's responsibility for the Historical Financial Information of the Target Group

The director of the Target Company is responsible for the preparation of Historical Financial Information of the Target Group that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of the Target Group, and for such internal control as the director of the Target Company determines is necessary to enable the preparation of Historical Financial Information of the Target Group that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information of the Target Group and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of the Target Group is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of the Target Group. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information of the Target Group, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information of the Target Group that give a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of the Target Group in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information of the Target Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information of the Target Group gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2015 and 2016 and 30 September 2017 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of the Target Group.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information of the Target Group"). The director of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information of the Target Group in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of the Target Group. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information of the Target Group based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information of the Target Group, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of the Target Group.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information of the Target Group, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information of the Target Group which states that no dividends have been paid by the Target Group in respect of the Relevant Periods.

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong

19 January 2018

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information of the Target Group

Set out below is the Historical Financial Information of the Target Group which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with HKFRSs issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (collectively "Historical and Underlying Financial Statements of the Target Group").

The Historical Financial Information of the Target Group is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		From 3 October 2014 (date of incorporation) to 31 December	Year ended 31 December	Nine months ended 30 September	
		2015	**2016**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	7	20,164	75,631	52,608	58,322
Cost of sales		(127)	(43,444)	(27,066)	(23,285)
Gross profit		20,037	32,187	25,542	35,037
Other income	8	69	2,027	1,772	3,009
Other gain and loss	9	–	–	–	(117)
Administrative and other operating expenses		(13,455)	(12,005)	(8,664)	(7,918)
Profit before tax	10	6,651	22,209	18,650	30,011
Income tax	13	(1,806)	(5,583)	(4,674)	(7,806)
Profit for the period/year		4,845	16,626	13,976	22,205

	From 3 October 2014 (date of incorporation) to 31 December	Year ended 31 December	Nine months ended 30 September	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Other comprehensive (expense) income, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(127)	(1,014)	(368)	1,581
Total comprehensive income for the period/year	4,718	15,612	13,608	23,786

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		At 30 September
		2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*16*	1,098	2,178	1,249
Current assets				
Trade receivables	*17*	15,140	12,939	14,862
Prepayments, deposits and other receivables	*18*	928	1,467	1,280
Cash and cash equivalents	*19*	392	41,134	63,869
Income tax receivables		–	2,860	1,778
		16,460	58,400	81,789
Current liabilities				
Trade payables	*20*	–	11,286	8,609
Receipts in advance	*21*	343	7,339	4,155
Other payables, deposits received and accruals	*22*	2,344	357	439
Amount due to a director	*24(a)*	3,634	88	173
Income tax payables		1,759	–	–
		8,080	19,070	13,376
Net current assets		8,380	39,330	68,413
Total assets less current liabilities		9,478	41,508	69,662
Non-current liabilities				
Other payables, deposits received and accruals	*22*	4,760	21,177	25,545
NET ASSETS		4,718	20,331	44,117
Capital and reserves				
Share capital		–	1	1
Reserves		4,718	20,330	44,116
TOTAL EQUITY		4,718	20,331	44,117

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 3 October 2014 (date of incorporation)	–	–	–	–
Profit for the period	–	–	4,845	4,845
Other comprehensive expense, net of tax	–	(127)	–	(127)
Total comprehensive (expense) income for the period	–	(127)	4,845	4,718
At 31 December 2015 and 1 January 2016	–	(127)	4,845	4,718
Profit for the year	–	–	16,626	16,626
Other comprehensive expense, net of tax	–	(1,014)	–	(1,014)
Total comprehensive (expense) income for the year	–	(1,014)	16,626	15,612
Issue of shares	1	–	–	1
At 31 December 2016 and 1 January 2017	1	(1,141)	21,471	20,331
Profit for the period	–	–	22,205	22,205
Other comprehensive income, net of tax	–	1,581	–	1,581
Total comprehensive income for the period	–	1,581	22,205	23,786
At 30 September 2017	1	440	43,676	44,117

	Share capital	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the nine months ended 30 September 2016 (Unaudited)				
At 1 January 2016 (Audited)	–	(127)	4,845	4,718
Profit for the period	–	–	13,976	13,976
Other comprehensive expense, net of tax	–	(368)	–	(368)
Total comprehensive (expense) income for the period	–	(368)	13,976	13,608
Issue of shares	1	–	–	1
At 30 September 2016 (Unaudited)	1	(495)	18,821	18,327

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	From 3 October 2014 (date of incorporation) to 31 December 2015 HK$'000	Year ended 31 December 2016 HK$'000	Nine months ended 30 September 2016 HK$'000 (Unaudited)	Nine months ended 30 September 2017 HK$'000
Operating activities					
Profit before tax		6,651	22,209	18,650	30,011
Adjustments for:					
Bank interest income	*8*	(1)	(90)	(51)	(87)
Depreciation of property, plant and equipment	*16*	141	745	497	747
Loss on disposal of property, plant and equipment	*9*	–	–	–	117
Operating cash flows before movements in working capital		6,791	22,864	19,096	30,788
(Increase) decrease in trade receivables		(15,542)	1,224	(8,719)	(1,232)
(Increase) decrease in prepayments, deposits and other receivables		(953)	(628)	644	256
Increase (decrease) in trade payables		–	11,773	14,165	(3,177)
Increase (decrease) in receipts in advance		352	7,322	6,837	(3,475)
Increase in other payables, deposits received and accruals		7,291	15,553	10,830	3,272
Increase (decrease) in amount due to a director		3,730	(3,445)	(3,479)	83
Cash generated from operations		1,669	54,663	39,374	26,515
Interest received		1	90	51	87
Income tax paid		–	(10,276)	(6,909)	(6,607)
Net cash generated from operating activities		1,670	44,477	32,516	19,995

	Notes	From 3 October 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Nine months ended 30 September 2016	Nine months ended 30 September 2017
		HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Investing activities					
Purchase of property, plant and equipment	16	(1,268)	(1,949)	(1,923)	(11)
Proceeds from disposal of property, plant and equipment		–	–	–	162
Net cash (used in) generated from investing activities		(1,268)	(1,949)	(1,923)	151
Net increase in cash and cash equivalents		402	42,528	30,593	20,146
Cash and cash equivalents at beginning of the period/year		–	392	392	41,134
Effect of foreign exchange rate changes		(10)	(1,786)	89	2,589
Cash and cash equivalents at end of the period/year		392	41,134	31,074	63,869
Analysis of balances of cash and cash equivalents:					
Bank balances	19	392	41,134	31,074	63,869

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1. General information

The Target Company is a limited liability company incorporated in the British Virgin Islands on 3 October 2014. The registered office of the Target Company is located at Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands.

The Target Company is an investment holding company. The principal activities of its subsidiaries are provision of promotion and consultancy, software and technology and brand identity design services in the People's Republic of China ("PRC").

No statutory financial statement of the Target Company has been prepared since its date of incorporation.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name of subsidiaries	Place and date of incorporation and place of operations	Issued/ registered capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
World Cheer Inc Limited ("World Cheer")	Hong Kong 19 August 2014	Ordinary HK$1	100%	–	Investment holding
諾笛(上海)企業管理諮詢有限公司 (Nod (Shanghai) Management Communication Co., Ltd)* ("NOD")	PRC 25 December 2014	Registered US$1,500,000	–	100%	Provision of promotion and consultancy services
上海巴娛電子商務有限責任公司 (Shanghai Bayu e-commerce Limited Liability Company)* ("Shanghai Bayu")	PRC 22 June 2016	Registered RMB1,180,000	–	100%	Provision of software and technology services
諾笛(上海)文化發展有限公司 (Nod (Shanghai) Culture Development Ltd)* ("NOD Culture")	PRC 19 August 2016	Registered RMB1,180,000	–	100%	Provision of brand identity design services

* *The English transliteration of Chinese name is for reference only and should not be regarded as its official English name.*

Notes:

(a) The statutory financial statements of World Cheer for the period from 19 August 2014 (date of incorporation) to 31 December 2015 and the year ended 31 December 2016 prepared under Hong Kong Accounting Standards for private entities ("HKFRS for private entities") were audited by a registered Hong Kong certified public accountant.

(b) The statutory financial statements of NOD for the years ended 31 December 2015 and 2016 prepared under the relevant account principle applicable to enterprises established in Mainland China (the "PRC GAAP") were audited by certified public accountants registered in PRC.

2. Basis of preparation

The Historical Financial Information of the Target Group has been prepared in accordance with "HKFRSs" (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the relevant accounting periods, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information of the Target Group for the purposes of presenting consolidated historical financial information.

The Historical Financial Information of the Target Group has been prepared under the historical cost convention. The Historical Financial Information of the Target Group is presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

3. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information of the Target Group for the Relevant Periods, the Target Group has consistently applied all HKFRSs which are effective for accounting periods beginning on 1 January 2017 throughout the Relevant Periods.

At the date of this report, the following new and amendments to HKFRSs have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfer of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle except for amendments to HKFRS 12[1]
HK(IFRIC) – INT 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – INT 23	Uncertainty over income tax treatments[2]

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2019*

3 *Effective for annual periods beginning on or after a date to be determined*

HKFRS 9 Financial Instruments

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

Key requirement of HKFRS 9 which are relevant to the Target Group are described as follows:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

The director of the Target Company (the "Director") anticipates that the application of HKFRS 9 in the future may have impact on the amounts reported and disclosures made in the Target Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Target Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

The Director anticipates that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Target Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Target Group performs a detailed review.

HKFRS 16 Leases

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

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

Furthermore, extensive disclosures are required by HKFRS 16.

The Director anticipates that the application of HKFRS 16 in the future may have impact on the amounts reported and disclosures made in the Target Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Target Group performs a detailed review.

The Director anticipates that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

4. Significant accounting policies

(a) Subsidiaries

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) Basis of consolidation

This Historical Financial Information of the Target Group includes the financial statements of Target Company and its subsidiaries for the Relevant Periods.

The financial statements of the subsidiaries are prepared for the same Relevant Periods as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

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

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

(c) Fair value measurement

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

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(d) Property, plant and equipment

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

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

Leasehold improvement	33%
Computer systems	33%
Office equipment	33%
Office furniture	20%

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

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

(e) Impairment of non-financial assets

At the end of each of the Relevant Periods, the Target Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

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

(f) Financial instruments

Financial assets

Financial assets of the Target Group are classified as "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Loans and receivables

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

Equity instrument and financial liabilities

Equity instrument

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

Effective interest method

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

Financial liabilities

Financial liabilities of the Target Group (including trade payables, other payables, deposits received, accruals and amount due to a director) are subsequently measured at amortised cost using the effective interest method.

Derecognition

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

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

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

(g) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash at bank that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash at bank, which are not restricted as to use.

(h) Retirement benefits costs

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

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

(i) Income tax

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

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(j) Revenue recognition

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

(i) Membership income

Membership income is recognised on a straight-line basis over the membership period.

(ii) Promotion income

Promotion income is recognised when services are performed in accordance with the terms of the contract.

(iii) Consultancy services income

Consultancy services income is recognised when services are performed in accordance with the terms of the contract.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(k) Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each of the Relevant Periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the Historical Financial Information of the Target Group, the assets and liabilities of the Target Group are translated into the presentation currency of the Target Group (i.e. HKD) at the rate of exchange prevailing at the end of each of the Relevant Periods, and their income and expenses are translated at the average exchange rates for the period/year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

(l) Related parties

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

(a) has control or joint control of the Target Group;

(b) has significant influence over the Target Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) Leasing

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

The Target Group as lessee

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

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Target Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

The Target Group estimates the impairment allowances for trade receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period/year in which such estimate is changed.

Taxation

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

Useful lives and depreciation of property, plant and equipment

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

6. Operating segment information

(a) Segment information

The Target Group's revenue arises principally from provision of promotion and consultancy, software and technology and brand identity design services.

For the purpose of resources and performance assessment, the Target Group's management focuses on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no segment analysis information is presented.

(b) Geographical information

No geographical segment information is presented as all the revenue are derived from the PRC and all non-current assets of the Target Group are located in the PRC.

7. Revenue

Revenue represents income from the provision of promotion and consultancy services during the Relevant Periods.

The amount of each significant category of revenue recognised during the period/year is as follows:

	From 3 October 2014 (date of incorporation) to 31 December	Year ended 31 December	Nine months ended 30 September	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Membership income	–	7,773	4,241	22,620
Consultancy services income	20,164	6,271	3,774	2,619
Promotion income	–	61,587	44,593	33,083
	20,164	75,631	52,608	58,322

8. Other income

	From 3 October 2014 (date of incorporation) to 31 December	Year ended 31 December	Nine months ended 30 September	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Bank interest income	1	90	51	87
Government subsidies *(Note)*	–	1,937	1,721	2,922
Sundries	68	–	–	–
	69	2,027	1,772	3,009

Note:

During the year ended 31 December 2016 and the nine months ended 30 September 2016 and 2017, the Target Group received the subsidies from PRC government under Shanghai Hengtai Economic Development Zone financial support agreement.

9. Other gain and loss

	From 3 October 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Nine months ended 30 September 2016	Nine months ended 30 September 2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Loss on disposal of property, plant and equipment	–	–	–	117

10. Profit before tax

The Target Group's profit before tax is arrived at after charging:

	From 3 October 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Nine months ended 30 September 2016	Nine months ended 30 September 2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Staff costs:				
Salaries and allowance	3,160	4,360	3,388	2,690
Retirement benefits scheme	1,142	1,658	1,274	920
	4,302	6,018	4,662	3,610
Auditor's remuneration	25	30	–	–
Cost of sales	127	43,444	27,066	23,285
Depreciation of property, plant and equipment (*Note 16*)	141	745	497	747
Loss on disposal of property, plant and equipment (*Note 9*)	–	–	–	117
Operating lease rentals in respect of land and buildings	1,132	948	678	852

11. Director's remuneration

	Fees	Salaries and allowances	Discretionary bonus	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the period from 3 October 2014 (date of incorporation) to 31 December 2015					
Liu Jianping	–	–	–	–	–
For the year ended 31 December 2016					
Liu Jianping	–	–	–	–	–
For the period ended 30 September 2016 (Unaudited)					
Liu Jianping	–	–	–	–	–
For the period ended 30 September 2017					
Liu Jianping	–	–	–	–	–

12. Five highest paid employees

The emoluments of the five highest paid individuals during the Relevant Periods did not included the Director.

	From 3 October 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Nine months ended 30 September 2016	2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and allowance	663	712	525	605
Retirement benefits scheme	281	245	173	222
	944	957	698	827

The number of the highest paid employees who are not the Director of the Target Group whose remuneration fell within the following band is as follows:

	Number of employees			
	From 3 October 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Nine months ended 30 September 2016 (Unaudited)	2017
HK$Nil to HK$1,000,000	5	5	5	5

No emoluments have been paid by the Target Group to the Director or the five highest paid individuals as inducement to join or upon joining the Target Group or as compensation for loss of office during each of the Relevant Periods.

13. Income tax

	From 3 October 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Nine months ended 30 September 2016	Nine months ended 30 September 2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
PRC enterprise income tax	1,806	5,583	4,674	7,806

No provision for Hong Kong Profits Tax had been made as the Target Group did not generate any assessable profits in Hong Kong during the Relevant Periods.

PRC enterprise income tax is provided on the assessable income of entities within the Target Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC at the rate of 25% on the estimated assessable profit for the Relevant Periods.

A reconciliation of the income tax expenses applicable to profit before tax using the statutory tax rate for the location in which the Target Group are domiciled to the income tax expenses at the effective tax rate, is as follows:

	From 3 October 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Nine months ended 30 September 2016	Nine months ended 30 September 2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before tax	6,651	22,209	18,650	30,011
Tax at the Hong Kong Profits Tax rate 16.5%	1,098	3,664	3,077	4,952
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	570	1,892	1,589	2,552
Tax effect of expenses not deductible for tax purpose	138	27	8	302
Income tax expenses	1,806	5,583	4,674	7,806

14. Dividends

No dividend was paid or proposed to the shareholder of the Target Company during the Relevant Periods.

15. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

16. Property, plant and equipment

	Computer systems	Office furniture	Office equipment	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 3 October 2014 (date of incorporation)	–	–	–	–	–
Additions	453	147	–	668	1,268
Exchange adjustment	(12)	(4)	–	(17)	(33)
At 31 December 2015 and 1 January 2016	441	143	–	651	1,235
Additions	1,505	4	260	180	1,949
Exchange adjustment	(93)	(9)	(11)	(51)	(164)
At 31 December 2016 and 1 January 2017	1,853	138	249	780	3,020
Additions	11	–	–	–	11
Disposals	(180)	–	(223)	–	(403)
Exchange adjustment	91	7	7	40	145
At 30 September 2017	1,775	145	33	820	2,773

	Computer systems	Office furniture	Office equipment	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ACCUMULATED DEPRECIATION					
At 3 October 2014 (date of incorporation)	–	–	–	–	–
Charge for the period	85	19	–	37	141
Exchange adjustment	(3)	–	–	(1)	(4)
At 31 December 2015 and 1 January 2016	82	19	–	36	137
Charge for the year	447	27	21	250	745
Exchange adjustment	(24)	(2)	(1)	(13)	(40)
At 31 December 2016 and 1 January 2017	505	44	20	273	842
Charge for the period	475	20	50	202	747
Disposals	(65)	–	(59)	–	(124)
Exchange adjustment	36	3	1	19	59
At 30 September 2017	951	67	12	494	1,524
CARRYING AMOUNTS					
At 31 December 2015	359	124	–	615	1,098
At 31 December 2016	1,348	94	229	507	2,178
At 30 September 2017	824	78	21	326	1,249

17. Trade receivables

	At 31 December		At 30 September
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	15,140	12,939	14,862

The Target Group allows average credit period of 90 days to its customers. The aging analysis of the Target Group's trade receivables, based on the invoice date, which approximates the respective revenue recognition dates at the end of the each of the Relevant Periods is as follows:

	At 31 December		At 30 September
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	15,140	12,737	13,739
91 to 180 days	–	202	781
Over 180 days	–	–	342
	15,140	12,939	14,862

Trade receivables of approximately to HK$202,000 and HK$1,123,000 were past due but not impaired at 31 December 2016 and 30 September 2017 respectively, as the balances were related to customers with sound repayment history and no recent history of default. Based on past experience, the Director 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 recoverable. The aging analysis of the trade receivables which are past due but not yet impaired is as follows:

	At 31 December		At 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	–	202	781
91 to 180 days	–	–	342
	–	202	1,123

18. Prepayments, deposits and other receivables

	At 31 December		At 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	445	92	463
Rental deposits	483	173	182
Other receivables	–	1,202	635
	928	1,467	1,280

19. Cash and cash equivalents

	At 31 December		At 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Bank balances	392	41,134	63,869

The bank balances carried interest ranging from 0.01% to 0.35% per annum at 31 December 2015 and 2016 and 30 September 2017.

20. Trade payables

	At 31 December		At 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	–	11,286	8,609

The following is an aging analysis of trade payables basis of the dates of the invoices:

	At 31 December		At 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	–	11,286	6,727
91 to 180 days	–	–	1,882
	–	11,286	8,609

21. Receipts in advance

	At 31 December		At 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Receipts in advance	343	7,339	4,155

A non-refundable advanced payment was received from the customers of the Target Group for promotion and consultancy, software and technology and brand identity design services.

22. Other payables, deposits received and accruals

	At 31 December		At 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Other payables	1,215	294	109
Other PRC tax payables	1,102	25	56
Deposits received	4,760	21,177	25,781
Accrued expenses	27	38	38
	7,104	21,534	25,984
Analysed for reporting purposes as:			
Current portion	2,344	357	439
Non-current portion	4,760	21,177	25,545
	7,104	21,534	25,984

23. Operating lease commitments

The Target Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms of one year.

At the end of each of the Relevant Periods, the Target Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December		At 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	212	352	1,783

24. Related parties transactions

(a) Amount due to a director

The amount due to a director was unsecured, interest-free and repayable on demand. The Director considers that the carrying amount approximates its fair value.

(b) Compensation of key management personnel

The emolument of key management personnel of the Target Group during each of the Relevant Periods is as follows:

	From 3 October 2014 (date of incorporation) to 31 December	Year ended 31 December	Nine months ended 30 September	
	2015	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowances and other benefits	555	557	460	442
Retirement benefits scheme	191	207	154	144
	746	764	614	586

25. Financial instruments

a. Categories of financial instruments

	At 31 December		At 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables:			
Trade receivables	15,140	12,939	14,862
Deposits and other receivables	483	1,375	817
Cash and cash equivalents	392	41,134	63,869
	16,015	55,448	79,548
Financial liabilities			
Amortised cost:			
Trade payables	–	11,286	8,609
Other payables, deposits received and accruals	6,002	21,509	25,928
Amount due to a director	3,634	88	173
	9,636	32,883	34,710

b. Fair value and fair value hierarchy of financial instruments

The fair values of financial assets included in trade receivables, deposits and other receivables, cash and cash equivalents and financial liabilities included in trade payables, other payables, deposit received and accruals and amount due to a director, approximate to their carrying amounts due to the short-term maturities of these instruments.

c. ***Financial risk management objectives and policies***

The Target Group's major financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, trade payables, other payables, deposit received and accruals and amount due to a director. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Target Group has no interest-bearing liabilities, and is therefore not exposed to significant interest rate risk. Hence, no sensitivity analysis is presented.

Credit risk

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

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

The customers of the Target Group have good historical repayment records and no default in payment. The Director considers that the credit risk is limited in this regard.

The Target Group's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% of the total trade receivables for the Relevant Periods.

The credit risk on bank balances is limited because the counterparties are reputable banks located in PRC.

Liquidity risk

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

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

	On demand or less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2015						
Non-derivative financial liabilities						
Other payables, deposits received and accruals	1,242	–	–	4,760	6,002	6,002
Amount due to a director	3,634	–	–	–	3,634	3,634
	4,876	–	–	4,760	9,636	9,636

	On demand or less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2016						
Non-derivative financial liabilities						
Trade payables	11,286	–	–	–	11,286	11,286
Other payables, deposits received and accruals	332	–	–	21,177	21,509	21,509
Amount due to a director	88	–	–	–	88	88
	11,706	–	–	21,177	32,883	32,883

	On demand or less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 September 2017						
Non-derivative financial liabilities						
Trade payables	8,609	–	–	–	8,609	8,609
Other payables, deposits received and accruals	383	–	–	25,545	25,928	25,928
Amount due to a director	173	–	–	–	173	173
	9,165	–	–	25,545	34,710	34,710

26. Event after the reporting period

There were no subsequent events between the end of the Relevant Periods and the issue date of this Historical Financial Information that would cause a material impact on the Target Group.

Set out below is the management discussion and analysis on the Target Group for the period from 3 October 2014 (date of incorporation of the Target Company) to 31 December 2015, the year ended 31 December 2016 and the nine months ended 30 September 2016 and 2017. The following financial information is based on the audited financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS OVERVIEW

The Target Company is an investment holding company incorporated in the BVI with limited liability. The subsidiary of the Target Company, NOD, is principally engaged in provisions of consultancy services to the entertainment industry and a wide range of consulting services to nightclubs, bars and lounges in the PRC. As at the Latest Practicable Date, the Target Group's networks have been well developed, and it has more than 1,500 members under their services. To provide a comprehensive service to their members, the Target Group also has partnerships with specialties in different fields, including but not limited to alcohol suppliers, brand consultants, hardware support and interior design experts.

FINANCIAL OVERVIEW

For the period from 3 October 2014 (the date of incorporation of the Target Company) to 31 December 2015, the year ended 31 December 2016, together with the nine months period ended 30 September 2016 and 30 September 2017, the revenue of the Target Group was approximately HK$20.2 million, HK$75.6 million, HK$52.6 million and HK$58.3 million, respectively. Since 2016, the Target Group has established business relationship with two top multinational alcoholic beverage suppliers which possess certain finest and luxurious brands of wine, whisky and champagne across the globe. Under the leadership of the management of the Target Group, NOD completed the planning and execution of more than 300 product promotion events in the PRC for the aforementioned two alcoholic beverage suppliers in 2016 and thus the revenue of the Target Group increased dramatically for the year ended 31 December 2016. For the nine months period ended 30 September 2017, NOD was able to maintain a continuing cooperative business relationship for the aforementioned two alcoholic beverage suppliers and managed to organise over 250 product promotion events in the PRC.

For the period from 3 October 2014 (the date of incorporation of the Target Company) to 31 December 2015, the year ended 31 December 2016, together with the nine months ended 30 September 2016 and 30 September 2017, the gross profit of the Target Group was HK$20.0 million, approximately HK$32.2 million, HK$25.5 million and HK$35.0 million, respectively. The average contract sums for the top 5 promotion events in the financial year ended 31 December 2016 and the nine months period ended 30 September 2017 were approximately RMB 0.8 million and RMB 0.5 million, respectively. The costs for venue rental and decoration, Hi-fi, lighting and other equipment rental cost and the cost for costume and tools were attributable to approximately 88% and 79% of the cost of goods sold for the top 5 promotion events in the financial year ended 31 December 2016 and the nine months period ended 30 September 2017, respectively. The average gross profits margin for the top 5 promotion events has increased from approximately 28% for the financial year ended 31 December 2016 to approximately 32% for the nine months period ended 30 September 2017. Generally, the project engagement period for event promotion services is less than 15 days in average since acceptance of event proposal by the clients. The increase in gross profit by approximately HK$12.2 million from 2015 to 2016 was mainly attributable to the increase in revenue, however, the gross profit margin decreased from approximately 99.4% for the period from 3 October 2014 to 31 December 2015 to approximately 42.6% for the year ended 31 December 2016, which is mainly attributable to costs incurred in provision of product promotion events services to the above-mentioned two top multinational alcoholic beverage suppliers. The Target Group's major suppliers are venue providers and contractors. For the year ended 31 December 2016, additional venue construction cost was paid in order to execute the product promotion events for the aforementioned two alcoholic beverage suppliers, whereas no such cost was incurred for the period from 3 October 2014 (the date of incorporation of the Target Company) to 31 December 2015. The gross profit margin increase from approximately 48.6% for the nine months' period ended 30 September 2016 to approximately 60.1% for the corresponding period in 2017 was primarily due to the increased membership fee income as a direct result of increasing members of the NOD Union. With the aim to extend its client base, the Target Group has been devoted to convert its clients for ad-hoc consulting services to NOD Union members. Due to high customer satisfaction for the ad-hoc consulting services of the Target Group in 2015 and the NOD Union marketing campaigns for membership programs, a number of recurring clients for the ad-hoc consulting services were successfully recruited to join the basic free membership and lower rank membership in 2016. For the nine months period ended 30 September 2017, in view of (i) numerous notable promotion events operated by NOD and the above-mentioned top alcoholic beverage suppliers in 2016 and 2017 for certain finest and luxurious brands of wine, whisky and champagne in bars, lounges and nightclubs in the PRC; and (ii) the persistent high-quality services delivered by the Target Group, many bar and lounge basic members were successfully attracted to convert to high tier NOD Union members and more bars, lounges and nightclubs joined the NOD Union as high tier NOD Union members. As at the Latest Practicable Date, the Target Group has already entered into diamond grade membership agreements with over 80 NOD Union diamond members. The existing diamond grade membership agreements on hand are expected to contribute over HK$26 million in average for each of the three financial years ending 31 December 2020.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Target Group's daily operation and capital expenditures are mainly funded by internally generated funds. The Target Group has consistently generated net cash from operations during the period from 3 October 2014 (the date of incorporation of the Target Company) to 31 December 2015, the year ended 31 December 2016, and the nine months ended 30 September 2017. As at 31 December 2015 and 2016 and 30 September 2017, the net current assets of the Target Group amounted to approximately HK$8.4 million, HK$39.3 million and HK$68.4 million, respectively.

As at 31 December 2015, 2016 and 30 September 2017, the Target Group had cash and cash equivalents of approximately HK$0.4 million, HK$41.1 million and HK$63.9 million, respectively. The Target Group had no bank borrowings or debt securities as at 31 December 2015, 2016 and 30 September 2017. The gearing ratio of the Target Group, which is equal to total borrowings, inclusive of the amount due to a director, over total equity, as at 31 December 2015, 2016 and 30 September 2017 was approximately 77.0%, 0.4% and 0.4%, respectively. The fluctuations in gearing ratios was mainly attributable to the repayment of borrowings from the amount due to a director in for the year ended 31 December 2016 and nine months period ended 30 September 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, 2016 and 30 September 2017, the Target Group employed a total of 54, 39 and 38 employees, respectively, for its operations. Total staff costs for the period from 3 October 2014 (the date of incorporation of the Target Company) to 31 December 2015 and the year ended 31 December 2016 and the nine months ended 30 September 2017 were approximately HK$4.3 million, HK$6.0 million and HK$3.6 million, respectively. The Target Group has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their roles and performance, market requirements and the performance of the Target Group. In addition to the monthly salaries, the Target Group also provides benefits including discretionary bonus, social insurance and housing provident funds to its staff.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

There was no significant acquisition or disposal during the period from 3 October 2014 (the date of incorporation of the Target Company) to 31 December 2015 and the year ended 31 December 2016, together with the nine months ended 30 September 2017.

CHARGE ON ASSETS

As at 31 December 2015, 2016 and 30 September 2017, the Target Group did not pledge or create charges on any of its assets.

FOREIGN EXCHANGE EXPOSURE

During the period from 3 October 2014 (the date of incorporation of the Target Group) to 31 December 2015 and the year ended 31 December 2016, together with the nine months ended 30 September 2016 and 2017, substantially all transactions of the Target Group were denominated in RMB, and most of the bank deposits were denominated in RMB in order to minimise foreign exchange exposure. The directors of the Target Group considered that the foreign exchange exposure of the Target Group was minimal, and therefore, the Target Group had not implemented any formal hedging policies to deal with such exposures.

SIGNIFICANT INVESTMENTS

The Target Group has not held any significant investments during the financial year.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2015, 2016 and 30 September 2017, the Target Group had neither material contingent liabilities nor capital commitments.

SEGMENTAL INFORMATION

For the period from 3 October 2014 (the date of incorporation of the Target Group) to 31 December 2015 and the year ended 31 December 2016 and the nine months ended 30 September 2017, the Target Group was principally engaged in bar and club membership, wine and liquor promoting and event organising business in the PRC. The Target Group's management considers the Target Group is managed centrally and are of the view that the business of the Target Group should be classified as one single business segment and hence no segment information is presented.

FUTURE PLANS

Save as disclosed above, the Target Group has no plans for material investments for the year ending 31 December 2017.

INTRODUCTION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

The following is the unaudited pro forma consolidated statement of assets and liabilities, which consists of the unaudited pro forma consolidated statement of financial position of Mega Expo Holdings Limited (the "Company") and its subsidiaries (the "Group") and Cheer Sino Investment Holdings Limited (the "Target Company") and its subsidiaries (the "Target Group") (collectively referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information"), which has been prepared in accordance with Rule 4.29 of the Main Board Listing Rules for the purpose of illustrating the effect on the assets and liabilities of the Enlarged Group as if the acquisition of 100% of equity interest of the Target Company by the Company (the "Acquisition") had been completed on 30 June 2017.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on the information as set out in:

(a) the audited consolidated statement of financial position of the Group as at 30 June 2017, which has been extracted from the published annual report of the Company;

(b) the audited consolidated statement of financial position of the Target Group as at 30 September 2017 as extracted from the accountants' report of the Target Group as set out in Appendix II to this Circular; and

(c) after taking into account of the unaudited pro forma adjustments, which are directly attributable to the Acquisition, and factually supportable, as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 30 June 2017.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared using accounting policies consistent with that of the Group, as set out in the published annual report of the Company for the year ended 30 June 2017.

The unaudited pro forma consolidated statement of financial position has been prepared by the directors of the Company (the "Directors") based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the consolidated financial position of the Enlarged Group as at 30 June 2017 or any future dates. Accordingly, the unaudited pro forma consolidated statement of financial position does not purport to describe the consolidated financial position of the Enlarged Group that would have been attained had the Acquisition been completed as at 30 June 2017, nor purport to predict the future consolidated financial position of the Enlarged Group.

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

	The Group as at 30 June 2017	The Target Group as at 30 September 2017	Unaudited Pro Forma Adjustments			The Enlarged Group as at 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Property, plant and equipment	10,368	1,249				11,617
Goodwill	35,998	–		247,988		283,986
Financial assets at fair value through profit or loss	3,080	–				3,080
Interest in an associate	8	–				8
	49,454	1,249				298,691
Current assets						
Trade receivables	3,880	14,862				18,742
Prepayments, deposits and other receivables	26,079	1,280				27,359
Financial assets at fair value through profit or loss	460	–				460
Cash and cash equivalents	54,583	63,869	100,000	(100,000)		118,452
Income tax receivables	–	1,778				1,778
	85,002	81,789				166,791
Asset classified as held for sale	35,870	–				35,870
	120,872	81,789				202,661

	The Group as at 30 June 2017	The Target Group as at 30 September 2017	Unaudited Pro Forma Adjustments			The Enlarged Group as at 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities						
Trade payables	–	8,609				8,609
Receipts in advance	17,330	4,155				21,485
Amount due to a director	–	173				173
Other payables, deposits received and accruals	8,432	439			3,406	12,277
Income tax payables	2,534	–				2,534
	28,296	13,376				45,078
Net current assets	92,576	68,413				157,583
Total assets less current liabilities	142,030	69,662				456,274
Non-current liabilities						
Other payables, deposits received and accruals	–	25,545				25,545
Contingent consideration payable	–	–		192,105		192,105
	–	25,545				217,650
NET ASSETS	142,030	44,117				238,624
Capital and reserves						
Share capital	2,702	1	137	(1)		2,839
Reserves	143,652	44,116	99,863	(44,116)	(3,406)	240,109
Equity attributable to owners of the Company	146,354	44,117				242,948
Non-controlling interests	(4,324)	–				(4,324)
TOTAL EQUITY	142,030	44,117				238,624

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The balances were extracted from the audited consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Company's published annual report.

2. The balances were extracted from the audited consolidated statement of financial position of the Target Group as at 30 September 2017 as set out in the accountants' report of the Target Group included in Appendix II to this Circular. For the purpose of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, all of the values of the consolidated financial information of the Enlarged Group are rounded to nearest thousand (HK$'000) except otherwise indicated.

3. Pursuant to the placing agreement dated 24 November 2017 entered into between the Company and Kingston Securities Limited as placing agent for the placing of an aggregate of 68,600,000 shares at a price of HK$1.5 per share (the "Placing Share"). The maximum net proceeds from the placing will amount to approximately HK$100,000,000.

4. In accordance with the sales and purchase agreement (the "Agreement") entered in to between the vendor and the Group on 24 November 2017, the total consideration of Acquisition is HK$268,000,000. A portion of the consideration of HK$168,000,000 will be settled by the issue of the Convertible Notes (the "CNs") and HK$100,000,000 will be settled by the Company in cash to be raised through the Placing Shares (the "Placing") which shall be settle upon Acquisition completion. Upon completion of the Acquisition, the Company will become the holding company of the Target Group. The identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The adjustment represents the goodwill recognised from the Acquisition of HK$247,988,000 being the excess amount of the total consideration for the Acquisition over the fair value of the acquired identifiable net assets of the Target Group as follow:

	HK$'000
Considerations:	
Cash	100,000
Contingent consideration *(Note a)*	192,105
	292,105
Less: Fair value of the identifiable assets and liabilities of the Target Group	44,117
Goodwill arising from the Acquisition *(Note b)*	247,988

Notes:

(a) The contingent consideration represents the CNs with principal amount of HK$168,000,000 issued for the Acquisition after the Target Group fulfilled the profit guarantee that the net profit after tax of the Target Group (i) for the year ending 31 December 2018 shall be not less than HK$27,000,000; (ii) for the two years ending 31 December 2019 shall be not less than HK$73,000,000; and (iii) for the three years ending 31 December 2020 shall be not less than HK$133,000,000 (the "Guaranteed Profit").

The fair value of the contingent consideration of approximately HK$192,105,000 was estimated by using binomial option pricing model ("Binomial Model") which is performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The Binomial Model is considered as one of the generally accepted valuation method for valuing similar convertible securities. The key assumptions and parameters used are as follows:

Time to maturity	4 years
Underlying stock price	HK$2.10
Conversion price	HK$1.83
Coupon rate	0%
Expected volatility	61.43%
Expected dividend yield	0%
Risk-free rate	1.16%
Discount rate	5.56%

After discussion with Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Directors concurred with the above assumptions adopted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Nonetheless, the fair values of CNs and the profit guarantees are subject to change upon the finalisation of the valuation for the completion date of the Acquisition, which may be substantially different from their estimated amounts used in preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group.

(b) For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors have assessed whether there is any impairment on the provisional goodwill arising from the Acquisition as if Acquisition had been taken place on 30 June 2017 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") issued by the HKICPA which is consistent with the Group's accounting policy and concluded that there is no impairment in respect of the goodwill for the purpose of unaudited pro forma consolidated statements of assets and liabilities.

The recoverable amount of the cash generating unit comprising the pro forma goodwill is determined based on value-in-use calculation. The calculation is based on the most recent financial budgets covering three-year period approved by Directors, assuming that (i) there are no material adverse changes in the fair values of the assets and liabilities of the Target Group; and (ii) the identifiable assets and liabilities can be realised at their carrying amounts. However, should there be any adverse changes to the business of the Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against provisional goodwill in accordance with HKAS 36 and the Group's accounting policies.

The Directors confirmed that they will adopt consistent approach to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36. The Company also confirmed with its auditors that they will audit and opine on the consolidated financial statements of the Group in accordance with Hong Kong Standards on Auditing issued by the HKICPA during the future annual audit of the Enlarged Group.

Since the fair values of consideration and identifiable assets and liabilities used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group may be substantially different from their fair values on the completion date, the amount of goodwill to be recognised in connection with the Acquisition on completion date could be different from the estimated amounts stated herein. Should the fair value of the consideration is greater than the aggregate fair value of the identifiable assets and liabilities of the Target Group upon finalisation of the final valuation.

5. The adjustment represents accrual of estimated acquisition-related costs of approximately HK$3,406,000 which would be expensed in profit or loss upon completion of the Acquisitions.

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

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Mega Expo Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Mega Expo Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2017 and related notes as set out in Appendix IV of the circular issued by the Company dated 19 January 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-2 to IV-6 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of entire issued share capital of Cheer Sino Investment Holdings Limited (the "Acquisition") on the Group's consolidated financial position as at 30 June 2017 as if the Acquisition had taken place at 30 June 2017. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's consolidated financial statements for year ended 30 June 2017, on which an annual report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" (the "AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong

19 January 2018

JLL
仲量聯行

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tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

The Board of Directors
Mega Expo Holdings Limited
Suites 911-912, Level 9,
One Pacific Place,
88 Queensway,
Hong Kong

19 January 2018

Dear Sirs,

In accordance with the instructions received from Mega Expo Holdings Limited (the "Company"), we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion on the market value of 100% equity interest in Cheer Sino Investment Holdings Limited (the "Target Company") and its subsidiaries (collectively, the "Target Group") as at 30 September 2017 (the "Valuation Date").

The purpose of this valuation is for inclusion in the Company's circular.

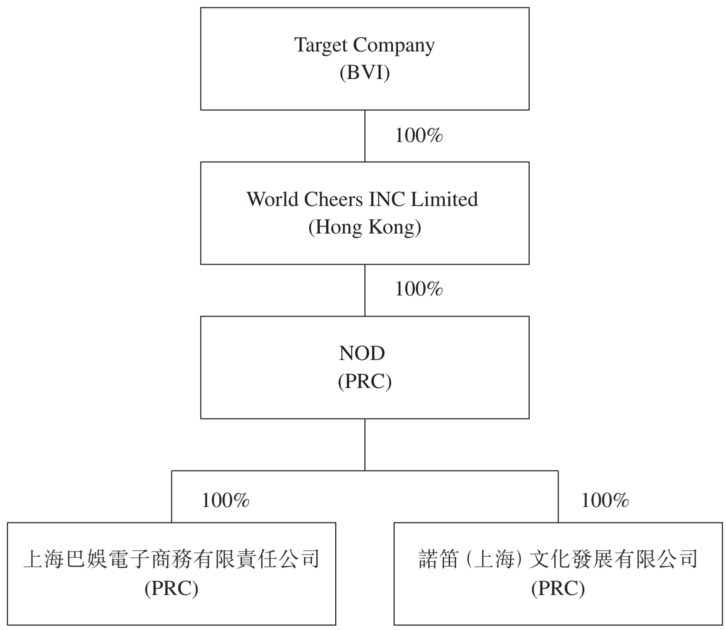
Our valuation was carried out on a market value basis. Market value is defined as "*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

INTRODUCTION

The Target Company is an investment holding company incorporated in the British Virgin Islands (the "BVI") with limited liability.

諾笛(上海)企業管理諮詢有限公司 (transliterated as Nod (Shanghai) Management Communication Co., Ltd) ("NOD"), the main operating subsidiary of the Target Company, is a company established in the People's Republic of China (the "PRC") with limited liability and is, together with its subsidiaries, principally engaged in bar and club membership, wine and liquor promoting and event organising business of providing professional, precise and comprehensive services to the entertainment industry in the PRC, and owns an extensive and complete product chain in the entertainment industry in the PRC by providing a range of products and services encompassing beverage promotion, lighting and sounds, decorations, business training, consultations, procurement and supply management, brand management and chain operation management.

The corporate structure of the Target Group is shown in the chart below:



On 24 November 2017 (after trading hours), Mr. Liu Jianping (the "Vendor") and the Company entered into the sale and purchase agreement, pursuant to which the Vendor has agreed to sell to the Company, and the Company has agreed to purchase from the Vendor, the entire issued share capital of the Target Company at the consideration of HK$268 million, which shall be settled by the issue of the convertible notes in the aggregate principal amount of HK$168 million to be issued by the Company to the Vendor and the payment of cash.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

In our opinion, the income approach and cost approach are inappropriate for valuing the Target Group. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and longer term of financial projections are also needed to arrive at an indication of value but such information is not available as at the Valuation Date. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject business.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

In this valuation exercise, the market value of 100% equity interest in the Target Group was developed through the application of the market approach technique known as the guideline public company method. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the Target Group. In order to reflect the latest financial performance of the Target Group, it is considered that the suitable multiple in this valuation is the price-to-earnings ratio (the "P/E Ratio"), which is defined as the current market price to trailing 12-month net profit attributable to owners of the Target Group up to the Valuation Date.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of the Target Group and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition and projected financial performance of the Target Group;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the subject business; and
- Assessment of the liquidity of the subject business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Group.

VALUATION ASSUMPTIONS

In determining the market value of the equity interest in the Target Group, we make the following key assumptions:

- We have assumed that the projected business can be achieved with the effort of the management of the Target Group;
- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;
- We have assumed the accuracy of the financial and operational information provided to us by the Company and relied to a considerable extent on such information in arriving at our opinion of value; and
- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

FINANCIAL INFORMATION OF THE TARGET GROUP

As sourced from the accountants' report on the Target Group (the "Accountants' Report") prepared by HLM CPA Limited, the following extract illustrates the consolidated profit or loss of the Target Group for the year ended 31 December 2016, nine months ended 30 September 2016 and nine months ended 30 September 2017:

	Year Ended 31 December 2016	**9 Months Ended 30 September 2016**	**9 Months Ended 30 September 2017**
	HK$'000	*HK$'000*	*HK$'000*
		(Unaudited)	
Revenue	75,631	52,608	58,322
Cost of Sales	(43,444)	(27,066)	(23,285)
Gross Profit	32,187	25,542	35,037
Other Income	2,027	1,772	3,009
Other Gain and Loss	0	0	(117)
Administrative and Other Operating Expenses	(12,005)	(8,664)	(7,918)
Profit before Tax	22,209	18,650	30,011
Income Tax	(5,583)	(4,674)	(7,806)
Profit for the Period/Year	16,626	13,976	22,205

Source: The Accountants' Report

Although the above figures for nine months ended 30 September 2016 are unaudited, as disclosed in the Accountants' Report, we noted that HLM CPA Limited had conducted a review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that caused them to believe that the unaudited financial figures of the Target Group were not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the historical financial information of the Target Group. Therefore, we are of the opinion that it is fair to adopt the figures for nine months ended 30 September 2016 from the Accountants' Report in our valuation.

The implied effective tax rate for each period is calculated based on the reported income tax divided by the reported profit before tax:

	Year Ended 31 December 2016	**9 Months Ended 30 September 2016**	**9 Months Ended 30 September 2017**
Implied Effective Tax Rate	25.14%	25.06%	26.01%

According to the Accountants' Report, the other income of the Target Group includes bank interest income and government subsidies, while the other gain and loss includes loss on disposal of property, plant and equipment. To better reflect the earnings of the Target Group from its normal operations, we have excluded these one-off, non-recurring and non-operating items from the profit before tax to estimate the normalized profit for the relevant periods in our analysis. The calculation details are shown as follows:

	Year Ended 31 December 2016	**9 Months Ended 30 September 2016**	**9 Months Ended 30 September 2017**
	HK$'000	*HK$'000*	*HK$'000*
Reported Profit Before Tax	22,209	18,650	30,011
Less: Other Income	2,027	1,772	3,009
Less: Other Gain and Loss	0	0	(117)
Normalized Profit Before Tax	20,182	16,878	27,119
Income Tax (Adjusted)	(5,073)	(4,230)	(7,054)
Normalized Profit	15,109	12,648	20,065

Note: During the normalizing process, we assume that the implied effective tax rates keep constant. For each period, after excluding the other income and other gain and loss from the reported profit before tax, the income tax will be adjusted and estimated by multiplying the normalized profit before tax to the implied effective tax rate.

As mentioned in the previous section, the market value of the Target Group was developed by using the P/E Ratio as at the Valuation Date and the trailing 12-month net profit of the Target Group up to the Valuation Date. Based on the table above, the normalized 12-month net profit of the Target Group up to the Valuation Date would be estimated as approximately HK$22,526,000, which is the sum of the normalized profit for 9 months ended 30 September 2017 and that for year ended 31 December 2016, then subtracted by that for 9 months ended 30 September 2016. The calculation details are shown as follows:

	HK$'000
Normalized Profit for 9 Months Ended 30 September 2017	20,065
Add: Normalized Profit for Year Ended 31 December 2016	15,109
Less: Normalized Profit for 9 Months Ended 30 September 2016	12,648
Normalized 12-month Net Profit of the Target Group up to the Valuation Date	22,526

MARKET MULTIPLE

In determining the price multiple, the initial selection criteria include the followings:

1. The comparable companies are publicly listed;

2. The companies derive most, if not all, of their revenues from the advertising and marketing sector with event marketing and brand management business;

3. Due to the scarcity of the listed companies with the abovementioned business solely operating in the PRC, we made reference to the comparable companies operating in the Asia-Pacific region; and

4. The comparable companies are searchable in Bloomberg.

As sourced from Bloomberg, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis and the details of these comparable companies are shown below:

Stock Code	Company Name	Company Description	Revenue Derived from Advertising and Marketing Sector in the Latest Financial Year
752.HK	Pico Far East Holdings Limited	Pico Far East Holdings Limited, through its subsidiaries, designs exhibition stand and fabrication, museum interior fit outs, and advertising sign. The company also organizes exhibition and conference, provides hall management services, and other activities.	100%
863.HK	Branding China Group Ltd	Branding China Group Ltd is a marketing communications services provider with a focus on well-known brands in the high value consumer goods sectors in the People's Republic of China which currently comprise mainly automobile and home fashion brands. The company provides one-stop branding services including advertising, PR and event marketing to domestic and international brands.	100%
205.HK	SEEC Media Group Limited	SEEC Media Group Limited, through its subsidiaries, provides advertising agency services.	83%
1360.HK	Mega Expo Holdings Limited	Mega Expo Holdings Limited is an exhibition organiser and project management company in Hong Kong. The company hosts trade shows for Asian manufacturers, traders, exporters and buyers across the globe.	100%
4324.JP	Dentsu Inc.	Dentsu Inc. mainly provides comprehensive advertising services. The company also provides marketing and event planning and promotion services. Dentsu has associated companies in the United States, Europe, and Asia.	92%
EGG.AU	Enero Group Limited	Enero Group Limited provides specialist marketing services. The company's services build and leverage customer relationships, develop brands and generate sales. Enero's services include advertising services, media planning and communications, public relations, research services, direct marketing, specialist design and event management.	100%

Stock Code	Company Name	Company Description	Revenue Derived from Advertising and Marketing Sector in the Latest Financial Year
2173.JP	Hakuten Corporation	Hakuten Corporation plans marketing & public relations campaigns for the client companies. The company operates marketing events & trade fairs while providing graphic design services for clients' advertising campaigns.	97%
4767.JP	TOW CO., LTD.	TOW CO., LTD. plans, advertises, produces, and manages various types of events. The company manages exhibitions, ceremonies, festivals, products promotion campaigns, public service announcements, sporting events, and expositions.	100%
CMO.TB	CMO Public Company Limited	CMO Public Company Limited is an event management company. The company provides the event design services and marketing plan through exhibition and trade show, marketing and promotion event, public event and MICE (meeting, incentive, convention and exhibition).	100% *(Note a)*
DYAN.IJ	Dyandra Media International Tbk PT	Dyandra Media International Tbk PT is a holding company providing event solutions. The company, through its subsidiaries, operates in event/exhibition organizing, convention & exhibition halls, hotels, and event support business services.	89%

Source: *Bloomberg and annual reports of the companies*

Note:

(a) According to the annual report 2016 of CMO Public Company Limited, for the financial year 2016, about 59% of its revenue came from event organizing, 39% from equipment rental and 2% from presentation media production. Since the revenue from equipment rental was related to its event equipment rental service, 100% of its revenue would be classified as the revenue derived from advertising and marketing sector.

Based on the four abovementioned selection criteria and the revenue derived from advertising and marketing sector in the latest financial year of each company, the list of ten comparable companies shown above was identified and we are of the opinion that each of them is considered as a fair and representative sample. In estimating the market value of the Target Group, we need to obtain the P/E ratio of each comparable company. However, we noticed that the P/E ratios of five out of the ten comparable companies as at the Valuation Date are available in Bloomberg. Further details of these five comparable companies with available P/E ratios are shown as follows:

Stock Code	Company Name	Major Revenue by Geography in the Latest Financial Year	P/E Ratio as at the Valuation Date
752.HK	Pico Far East Holdings Limited	Greater China	13.56
4324.JP	Dentsu Inc.	Overseas (the United States and China)	18.20
EGG.AU	Enero Group Limited	Australia	49.62 (Outlier)
4767.JP	TOW CO., LTD.	Japan	14.09
CMO.TB	CMO Public Company Limited	Thailand	17.37
Average (Excluding Outlier)			**15.81**

Source: Bloomberg

Note: As sourced from Bloomberg, the P/E Ratio of each company shown in the above team is estimated based on the closing share price as at the Valuation Date divided by the trailing 12-month earnings per share before extraordinary items.

Based on the above table, the P/E Ratios of the comparable companies are in the range of 13.56 to 49.62. To minimize the effect from the outlier, we then adopted the average excluding outlier of the P/E Ratios, at 15.81.

We understood that the Target Group operates in the PRC. However, due to the scarcity of the comparable companies operating and being listed in the PRC, we relaxed the selection criteria regarding listing and operational locations from the PRC to Asia Pacific region. The P/E Ratios of the comparable companies excluding the outlier are in the range of 13.56 (i.e. P/E Ratio of Pico Far East Holdings Limited) to 18.20 (i.e. P/E Ratio of Dentsu Inc.). Although Pico Far East Holdings Limited and Dentsu Inc. are not listed in the PRC, both of them have significant revenues derived from the PRC and so does the Target Group. Therefore, we are of the opinion that it is fair and reasonable to adopt the average excluding outlier of the P/E Ratios of 15.81 to estimate the market value of the Target Group.

ADDITIONAL CONSIDERATION

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The DLOM reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this investment using put option method. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event getting shorter, the degree of the DLOM becomes smaller.

With reference to a study "Option Pricing as a Proxy for Discount for Lack of Marketability in Private Company Valuations" by David B. H. Chaffee, Chaffee related the cost to purchase a European put option to the DLOM. The rationale is that "if one holds restricted or non-marketable stock and purchases an option to sell those shares at the free market price, the holder has, in effect, purchased marketability for the shares. The price of that put is the discount for lack of marketability".

Therefore, we have adopted Black Scholes option pricing model with the following parameters to estimate the DLOM:

Parameter	**30 September 2017**	**Remarks**
Option Type	European Put	
Spot Price	1.00	As we are calculating a percentage for the DLOM, for simplicity, we set the spot price to be 1.00 in the valuation.
Exercise Price	1.00	According to the study, the put option is at-the-money, such that the exercise price should equal the spot price.
Risk Free Rate	3.49%	Yield rate on 2-year CNY China sovereign curve, as sourced from Bloomberg.
Volatility	44.92%	With reference to the comparable companies, as sourced from Bloomberg.
Maturity	2 years	It is an approximation of holding period with reference to a market study and assuming that a market participant who owns a business entity similar to the Target Group would dispose of that business entity. According to a study "Determining the Discount for Lack of Marketability with Put Option Pricing Models in View of the Section 2704 Proposed Regulations" by John E. Elmore, selecting the holding period for a privately held company interest is a matter of professional judgment, but it is seldom less than a few months. The holding period encompasses the period necessary to complete marketing and selling activities, such as drafting marketing and selling documents, identifying and screening buyers, assisting buyers with due diligence etc. The management of the Company is satisfied that 2 years would be a reasonable assumption.
Implied DLOM	**20.85%**	

Control Premium

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

The control premium adopted in this valuation is 17.00%, with reference to the control premium study (2nd quarter 2017) conducted by FactSet Mergerstat, LLC.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account two factors, including the DLOM and control premium. The calculation of the market value of the equity interest in the Target Group as at the Valuation Date is as follows:

	As at 30 September 2017
Applied P/E Ratio	15.81
Normalized 12-month Net Profit of the Target Group up to the Valuation Date *(HK$'000)*	22,526
100% Equity Value before the DLOM and Control Premium *(HK$'000)*	356,024
Adjusted for DLOM at 20.85%	(1 – 20.85%)
Adjusted for Control Premium at 17.00%	(1 + 17.00%)
100% Equity Interest Value *(HK$'000)*	329,677
Rounded Value *(HK$'000)*	**330,000**

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Group, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Group over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of 100% equity interest in the Target Group as at the Valuation Date is reasonably stated at the amount of **HK$330,000,000 (HONG KONG DOLLARS THREE HUNDRED AND THIRTY MILLION ONLY**).

Yours faithfully,
For and on behalf of
Jones Lang LaSalle
Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Regional Director

Note: Simon M.K. Chan is a CPA Fellow member of the Hong Kong Institute of Certified Public Accountants, a CPA Fellow member of CPA Australia and an International Certified Valuation Specialist, who has extensive experience in valuation and corporate advisory business. He has provided a wide range of valuation services to numerous listed and private companies in different industries, including advertising and marketing companies, worldwide for over 10 years.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared for inclusion in the Company's circular. The report should not be otherwise referred to, in whole or in part, or quoted in any other documents or statements in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

Authorised:		**Nominal Value** *(HK$)*
As at the Latest Practicable Date and after the Acquisition Completion and the Placing Completion		
5,000,000,000	Shares	10,000,000
Issued, full paid or credited as fully paid: As at the Latest Practicable Date		
1,376,900,000	Shares	2,753,800
Placing Shares to be issued upon Placing Completion		
68,600,000	Placing Shares	137,200
Conversion Shares to be issued after Acquisition Completion, assuming the CNs in the principal amount of HK$168 million are fully converted at the initial Conversion Price of HK$1.83		
91,803,278	Conversion Shares	183,606.56
Total:		
1,537,303,278	**Shares**	**3,074,606.56**

Each of the Placing Shares and the Conversion Shares, when allotted and issued, will rank *pari passu* in all respects (including in particular as to dividend, voting rights and capital) among themselves and with all existing issued Shares.

3. DISCLOSURE OF INTERESTS

Interest and Short Positions of Directors and Chief Executive in the Shares and Underlying Shares and Debentures of the Company

As at the Latest Practicable Date, none of the Directors and the Company's chief executive, or their respective associates had any interests in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO; (ii) to be entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as was known to the Directors, the following person(s), other than a Director or chief executive of the Company, had or were deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares:

Name of Shareholder	Nature of interest/capacity	Number of shares (long position)	Approximate percentage of interests in the issued share capital of the Company
Chen Chao	Beneficial owner	164,235,000	11.93%

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had an existing or proposed service contract with the Group which may not be terminated by the Group within one year without payment of any compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Board was not aware of any business or interests of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group which is required to be disclosed pursuant to the Listing Rules.

7. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which had been proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2017 (the date to which the latest published audited consolidated financial statements of the Company were made up).

8. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, there was no litigation, arbitration or claim of material importance in which any member of the Group was involved, or pending or threatened against any member of the Group.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

The qualification of the experts who have given opinions and advice in this circular is as follows:

Name	Qualification
HLM CPA Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent professional valuer for the valuation of the Target Group
Grandall Law Firm	Legal adviser of the Company as to the PRC Law

As at the Latest Practicable Date, each of HLM CPA Limited, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Grandall Law Firm had no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which had been proposed to be acquired or disposed of by or leased to, any member of the Group since 30 June 2017, being the date to which the latest published audited accounts of the Company were made up, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of HLM CPA Limited, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Grandall Law Firm has given its written consent and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear. The accountant's report on the Target Group dated 19 January 2018 and the unaudited pro forma financial statement of assets and liabilities of the Enlarged Group dated 19 January 2018 were made by HLM CPA Limited, and the valuation report dated 19 January 2018 was made by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, for incorporation in the circular.

10. MATERIAL CONTRACTS

Save as disclosed below, there have been no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

(a) the sale and purchase agreement dated 8 April 2016 entered into between Integral Wealth Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser, Almighty Captain Limited as the vendor and Mr. Lau Cheuk Yiu as the guarantor in relation to the acquisition of the entire issued share capital of Treasure Spy Limited at a consideration of HK$150,000,000 (the "**Treasure Spy SPA**");

(b) the deed of termination dated 6 May 2016 entered into between Integral Wealth Limited and Almighty Captain Limited in relation to the termination of the Treasure Spy SPA;

(c) the sub-license agreement dated 3 June 2016 entered into between Up Huge Corporation Limited (an indirect wholly-owned subsidiary of the Company) as the sub-licensee (the "**Sub-Licensee**") and Dorian Concept (Group) Limited as the licensee (the "**Licensee**") in relation to the grant by the Licensee to the Sub-Licensee an exclusive, non-transferable sub-license to use the relevant licensed rights in relation to all series and any types of "Ultraman", which was created by Eiji Tsuburaya from the Tsuburaya Productions Co., Ltd., at roadshows, events and exhibitions in Hong Kong, Macau and Taiwan, at a consideration of HK$50,000,000;

(d) the placing agreement dated 6 December 2016 entered into between the Company and Kingston Securities Limited in relation to the placing of up to 150,800,000 Shares under general mandate at the placing price of HK$0.63 per Share;

(e) the sale and purchase agreement dated 10 February 2017 entered into between Mr. Liu Jiazhen as the vendor and Eastern Pioneer Holdings Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser in relation to the acquisition of the entire issued share capital of Sparkle Mass Limited at a consideration of HK$40,000,000;

(f) the sale and purchase agreement dated 7 April 2017 entered into between Ms. Wong Man as the vendor and Super Team Developments Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser in relation to the acquisition of the entire issued share capital of Fortune Selection Limited at a consideration of HK$48,024,000 (subject to adjustments) which was to be satisfied by the issue of interest-free and unsecured convertible bonds by the Company convertible into a maximum of 52,200,000 Shares at the initial conversion price of HK$0.92;

(g) the placing agreement dated 19 May 2017 entered into between the Company and Kingston Securities Limited in relation to the placing of up to 84,000,000 Shares under general mandate at the placing price of HK$1.19 per Share;

(h) the sale and purchase agreement dated 28 June 2017 entered into amongst Integral Wealth Limited (an indirect wholly-owned subsidiary of the Company) as the vendor, Ever Genesis Limited as the purchaser and Mr. Wang Jian as the guarantor in relation to the sale and purchase of the entire issued capital of Up Huge Corporation Limited at a consideration of HK$50,000,000;

(i) the Sale and Purchase Agreement; and

(j) the Placing Agreement.

11. GENERAL

(a) The secretary of the Company is Mr. Lau Wing Chuen. He is a member of The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business in Hong Kong is located at Suites 911-912, Level 9, One Pacific Place, 88 Queensway, Hong Kong.

(c) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited, situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) In the event of any inconsistency, the English texts of this circular and the accompanying from of proxy shall prevail over the Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any non-Business Days at Suites 911-912, Level 9, One Pacific Place, 88 Queensway, Hong Kong from the date of this circular up to and include the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 7 to 49 of this circular;

(c) the written consents referred to in the paragraph headed "Experts' Qualifications and Consent" in this appendix;

(d) the annual reports of the Company for each of the two years ended 30 June 2016 and 2017;

(e) the interim report of the Company for the six months ended 31 December 2016;

(f) the report from HLM CPA Limited dated 19 January 2018 in respect of the historical financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(g) the report from HLM CPA Limited dated 19 January 2018 in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(h) the report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated 19 January 2018 in relation to the valuation of the Target Group as set out in Appendix V to this circular;

(i) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(j) this circular.

MEGA EXPO HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1360)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Mega Expo Holdings Limited (the "**Company**") will be held at Room Soho 2, 6/F, IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong at 11:00 a.m. on Friday, 9 February 2018 (the "**EGM**") for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company.

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 24 November 2017 entered into between the Company and Mr. Liu Jianping (the "**Vendor**") in relation to the acquisition of the entire issued share capital of Cheer Sino Investment Holdings Limited (details of which are more particularly described in the Company's circular dated 19 January 2018 (the "**Circular**"), and a copy of each of the Sale and Purchase Agreement and the Circular is produced at the EGM marked "A" and "B" respectively and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) conditional upon the fulfillment of the conditions set out in the Sale and Purchase Agreement, the directors of the Company (the "**Directors**") be and are hereby authorised to issue the convertible notes (the "**CNs**") in the aggregate principal amount of HK$168,000,000 (convertible into ordinary shares of HK$0.002 each in the issued share capital of the Company (the "**Conversion Shares**") based on the initial conversion price of HK$1.83 per Conversion Share (subject to adjustment)) in accordance with the terms and conditions of the Sale and Purchase Agreement and the CNs;

(c) conditional upon the listing committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of and permission to deal in the Conversion Shares, the Directors be and are hereby granted a specific mandate to allot and issue such number of Conversion Shares upon exercise of the conversion rights attached to the CNs, credited as fully paid, to the holder of the CNs in accordance with the terms and conditions of the Sales and Purchase Agreement and the CNs; and

(d) the Directors be and are hereby authorised to implement and take all such steps and do all such acts and things and execute all such documents (including under seal, where applicable) which they consider necessary, desirable or expedient to give effect to the Sale and Purchase Agreement, the CNs and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as are, in the opinion of the Directors, in the interests of the Company and its shareholders (the "**Shareholders**") as a whole, provided that such variation, amendment or waiver shall not be material in nature."

2. "**THAT**:

(a) the conditional placing agreement (the "**Placing Agreement**") dated 24 November 2017 entered into between the Company and Kingston Securities Limited in relation to the placing of up to 68,600,000 ordinary shares of HK$0.002 each in the issued share capital of the Company (the "**Placing Shares**") at the placing price of HK$1.5 per Placing Share, on a best effort basis (details of which are more particularly described in the Circular and a copy of the Placing Agreement is produced at the EGM marked "C" and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) conditional upon the fulfillment of the conditions set out in the Placing Agreement, the Directors be and are hereby authorised to issue the Placing Shares in accordance with the terms and conditions of the Placing Agreement;

(c) conditional upon the listing committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares, the Directors be and are hereby granted a specific mandate to allot and issue the Placing Shares in accordance with the terms and conditions of the Placing Agreement; and

(d) the Directors be and are hereby authorised to implement and take all such steps and do all such acts and things and execute all such documents (including under seal, where applicable) which they consider necessary, desirable or expedient to give effect to the Placing Agreement and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as are, in the opinion of the Directors, in the interests of the Company and the Shareholders as a whole, provided that such variation, amendment or waiver shall not be material in nature."

By order of the Board
Mega Expo Holdings Limited
Deng Zhonglin
Chairman

Hong Kong, 19 January 2018

Principal Place of Business in Hong Kong:
Suites 911-912, Level 9
One Pacific Place
88 Queensway
Hong Kong

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Notes:

1. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 2 February 2018. Members of the Company whose names are recorded in the register of members of the Company on 2 February 2018 are entitled to attend and vote at the EGM.

2. Any Shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.

3. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.

5. Where there are joint Shareholders, any one of such joint Shareholders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the EGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the Company in respect of the joint holding.

6. The form of proxy and (if required by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the EGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.

7. As at the date of this notice, the board of Directors comprises Mr. Deng Zhonglin, Ms. Zhang Jun and Mr. Au-Yong Shong Samuel as executive Directors; and Mr. Choi Hung Fai, Mr. Tsang Wing Ki and Dr. Wong Kong Tin, *JP* as independent non-executive Directors.