

INTERIM REPORT

2018/19



MEGA EXPO HOLDINGS LIMITED

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

AUDITORS

HLM CPA Limited
Certified Public Accountants

LEGAL ADVISER AS TO HONG KONG LAW

Tung & Co.

REGISTERED OFFICE

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Cayman Islands

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SMP Partners (Cayman) Limited
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PO Box 1586
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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STOCK CODE

1360

CORPORATE WEBSITE

<http://www.megaexpoholdings.com>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

For the six months ended 31 December 2018 (the “**Reporting Period**”), the Company and its subsidiaries (the “**Group**”) achieved better overall operation performance. During the Reporting Period, the Group achieved approximately HK\$282.18 million in revenue, representing an increase of approximately 284% as compared with the corresponding period last year of approximately HK\$73.46 million. Operating profit for the Reporting Period was approximately HK\$122.61 million, representing an increase of approximately 133% as compared with the corresponding period last year of approximately HK\$52.61 million as customers in the cultural and entertainment industries continued to respond enthusiastically to the array of comprehensive services and products offered by the Group.

The following sets forth a summary of the performance of the Group for the six months ended 31 December 2018 with comparative figures for the corresponding period as follows:

	For the six months ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Revenue	282,178	73,459
Operating profit	122,607	52,611
Operating profit margin (%)	44%	72%
Net loss on change in fair value of contingent consideration payables	(185,530)	–
Equity-settled share-based payment expenses	(37,209)	–
Net (loss)/gain on financial assets at fair value through profit or loss	(16,675)	151
(Loss)/profit for the period	(126,961)	45,100



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL OVERVIEW (Continued)

Revenue

The revenue has increased by approximately HK\$208.72 million, or approximately 284%, from approximately HK\$73.46 million for the six months ended 31 December 2017 to approximately HK\$282.18 million for the Reporting Period. The improvement was primarily due to the combined effect of: (i) increased revenue in the contracting services and entertainment equipment solution segment accounted for approximately HK\$93.62 million which was driven by strong growth in both sales volume and contracting services of entertainment equipment (2017: Nil); and (ii) increased revenue in the promotion and consulting services segment accounted for approximately HK\$139.07 million (2017: Nil) as a result of acquisition of a group in Shanghai principally engaged in event promotion, entertainment consulting and club membership, namely Cheer Sino Investment Holdings Limited and its subsidiaries (collectively referred as “**Cheer Sino Group**”) on 8 March 2018.

Cost of Sales

The Group’s cost of sales has increased by approximately HK\$69.60 million, or approximately 271%, from approximately HK\$25.67 million for the six months ended 31 December 2017 to approximately HK\$95.27 million for the Reporting Period. The increase was mainly due to an increase from promotion cost, and entertainment equipment cost, which are in line with the growth of revenue during the Reporting Period.

Gross profit and gross profit margin

The Group’s gross profit has increased by approximately HK\$139.12 million, or approximately 291%, from approximately HK\$47.79 million for the six months ended 31 December 2017 to approximately HK\$186.91 million for the Reporting Period. The Group’s gross profit margin has increased from approximately 65% for the six months ended 31 December 2017 to approximately 66% for the Reporting Period. The increase in the gross profit was in line with the strong growth of revenue during the Reporting Period.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL OVERVIEW (Continued)

Selling expenses

The Group's selling expenses have increased by approximately HK\$1.77 million from approximately HK\$3.75 million for the six months ended 31 December 2017 to approximately HK\$5.52 million for the Reporting Period. Such increase was in line with the growth of revenue during the Reporting Period.

Administrative expenses

The Group's administrative expenses have increased by approximately HK\$44.52 million from approximately HK\$18.76 million for the six months ended 31 December 2017 to approximately HK\$63.28 million for the Reporting Period. Such increase was primarily due to equity-settled share-based payment expenses of approximately HK\$37.21 million, as well as the expansion of the Group's administration departments, including the management, human resources and finance teams.

Operating profit and operating profit margin

As a result of the foregoing, the Group's operating profit has increased by approximately HK\$70.00 million, or approximately 133%, from approximately HK\$52.61 million for the six months ended 31 December 2017 to approximately HK\$122.61 million for the Reporting Period, the increase is consistent with the growth of revenue. The Group's operating profit margin has decreased from approximately 72% for the six months ended 31 December 2017 to approximately 44% for the Reporting Period. The decrease was primarily as a result of no one-off gain on disposal of subsidiaries and reversal of impairment loss on other receivable incurred in the Reporting Period as compared to an one-off gain on disposal of subsidiaries of approximately HK\$14.13 million and the reversal of impairment loss of approximately HK\$11.5 million incurred in the previous reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL OVERVIEW (Continued)

Loss on change in fair value of contingent consideration payables

The Group's loss on change in fair value of contingent consideration payables has increased significantly to approximately HK\$185.53 million for the Reporting Period (six months ended 31 December 2017: Nil), primarily due to the significant change in fair value of contingent consideration payables as a result of HK\$168.00 million to be settled by convertible notes at conversion price of HK\$1.83 in the major acquisition of Cheer Sino Group. Details of such acquisition were set out in the announcement of the Company dated 8 March 2018. The losses arising on fair value changes in contingent consideration payables were unrealised losses and have no impact on the cash flow of the Group.

(Loss)/profit attributable to owners of the Company

The Group's loss attributable to owners of the Company has increased by approximately HK\$172.06 million, or 382%, from the profit of approximately HK\$45.10 million for the six months ended 31 December 2017 to the loss of approximately HK\$126.96 million for the Reporting Period, which was primarily due to the significant increase in loss on change in fair value of contingent consideration payables for the six months ended 31 December 2018. The contingent consideration payables mainly comprise of the convertible notes of HK\$168.00 million at conversion price of HK\$1.83 issued as contingent consideration for the acquisition of Cheer Sino Group on 8 March 2018. The losses arising on fair value changes in contingent consideration payables were unrealised losses and have no impact on the cash flow of the Group.

Non-HKFRS measures

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL OVERVIEW (Continued)

Non-HKFRS measures (Continued)

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

	For the six months ended 31 December	
	2018 HK\$'000	2017 HK\$'000
(Loss)/profit for the period	(126,961)	45,100
Interest income	(1,720)	(889)
Finance costs	5,293	70
Taxation	42,070	7,592
Depreciation	1,328	1,522
Amortisation	3,640	3,407
EBITDA	(76,350)	56,802
Loss/(gain) on financial assets at fair value through profit or loss	16,675	(151)
Equity-settled share-based payment expenses	37,209	–
Loss on change in fair value of contingent consideration payables	185,530	–
Gain on disposal of subsidiaries	–	(14,130)
Reversal of impairment loss on other receivable	–	(11,500)
Adjusted EBITDA	163,064	31,021

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

The Group's adjusted EBITDA has increased by approximately HK\$132.04 million, or approximately 425% from approximately HK\$31.02 million for six months ended 31 December 2017 to approximately HK\$163.06 million for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL OVERVIEW (Continued)

Adjusted Net Profit

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

	For the six months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
(Loss)/ profit for the period	(126,961)	45,100
Loss/(gain) on financial asset at fair value through profit or loss	16,675	(151)
Equity-settled share-based payment expenses	37,209	–
Loss on change in fair value of contingent consideration payables	185,530	–
	112,453	44,949

Adjusted NAV

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

	For the six months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
Net assets	277,469	389,868
Loss on change in fair value of contingent consideration payables	185,530	–
	462,999	389,868

The Group's adjusted NAV has increased by approximately HK\$73.13 million, or approximately 19% from approximately HK\$389.87 million for six months ended 31 December 2017 to approximately HK\$463.00 million for the Reporting Period.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS PROSPECTS OF THE GROUP

Facing the challenges ahead including increased competition, increased costs and limited exhibition market potential in Hong Kong, the overall exhibition performance is weakening during the Reporting Period. Looking ahead, the Group will continue from time to time to seek new exhibition business partners and investment opportunities to expand exhibition business in the People's Republic of China (the "PRC") that could enhance corporate development and strengthen the income base of the Group.

Overall, the Group considers the prospects of the PRC exhibition market is promising. The Group has completed over 30 medium-sized event planning projects in the PRC during the Reporting Period. The major events like the product launch events, music awards ceremony, promotion event and art exhibition were successful and received the general recognition from the market. To further expand the Group's income source and taking advantage of the favorable market environment in the PRC, the Group acquired 51% equity interest of an exhibition and exhibition related company in the PRC during the Reporting Period. On the other hand, the Group has delivered a major technology exhibition in Shanghai Hongqiao Trade Centre, namely Japanese Technology and Culture Exhibition from 5 November 2018 to 31 March 2019. In addition, the Group has also entered into a non-legally binding strategic cooperation framework agreement with 湖南省優質農產品開發服務協會 (transliterated as "Hunan Province Good Agri-products Development & Service Association" or "Hunan Agri-products Association"), which believes that will provide the Group with the opportunity to leverage on our extensive experience in China agri-products exhibition business. Looking forward, the Group will continue to diversify our income stream and enhance our earning profile through exploring investment opportunities in the PRC, which help capitalising on any growth opportunities and thereon enhancing our shareholder's value.

At a macro level, concerns around the trade war between the PRC and The United States of America (the "USA") and the weakening stock market are expected to impact on Hong Kong and the PRC economy over the foreseeable future. However, the Group's recent efforts to strengthen our marketing efforts, expand the customer profile target, and comprehensive entertainment solution services used in our key services, has put it in a strong position in relation to macro-economic trends. The PRC is gradually catching up with rich economies and moving towards becoming a high-income economy, as well as the recent PRC Government favorable policy on cultural and entertainment industries, which potentially offer numerous advantages in the present stage of Chinese economic transformation.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS PROSPECTS OF THE GROUP (Continued)

In March 2018, the Group has completed the acquisition of Cheer Sino Group in the PRC which is 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 a well-established client network across the PRC of over 1,000 members of clubs, bars and lounges by operating a well-known entertainment brand 諾笛聯盟平台 (transliterated as “NOD Union Platform” or “NOD Union”). With the synergistic advantages of NOD Union Platform, the Group is able to extend business operations to provide a comprehensive cultural and entertainment solution services platform (“**Comprehensive Services Platform**”) to cultural and entertainment players, as well as the existing members of NOD Union Platform.

The diagram below sets forth our Comprehensive Services Platform structure:

Comprehensive Services Platform



Provide financing services for music performing equipment such as lighting, audio, stage machinery and etc.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS PROSPECTS OF THE GROUP (Continued)

The Group has structured our Comprehensive Services Platform into few components, namely, brand management services, promotion services, systematic solution and advisory services, customised equipment supply and contracting services, financing and solution services to our customers in cultural and entertainment industries. The Group believes that such Comprehensive Services Platform has afforded us synergic, effective and greater satisfaction from our customers. The Group will continue to review business operation from time to time and adjust accordingly to meet the Group's current and future business strategy.

FUTURE PLANS AND PROSPECTS

Looking ahead, with the synergistic advantages of NOD Union Platform, the Group is aiming to further expand the customer groups from traditional customers (bars, clubs and lounges) to new customer groups (self-serviced KTV, disc jockey ("DJ") music stores and music restaurants etc). The Group collectively define both traditional and new customer groups as the "Music Theme Stores", the stores that provide multi-scene music services to end customers.

Increasingly, consumers are relying on online social media for getting information about new products and services, and so it is vital to expand our presence and ensure the Group to find ways into the eyes and minds of the internet generation. The Group also intends to develop an online entertainment services system in Comprehensive Services Platform to meet the online products and services needs of customers.

Furthermore, with the advantages of large volume of store members data in NOD Union Platform, the Group intends to cooperate with more strategic suppliers to further expand the promotion services, included but not limited to wine and liquor promoting, mobile charging devices promoting, as well as other cross-industry promotion services in the future.

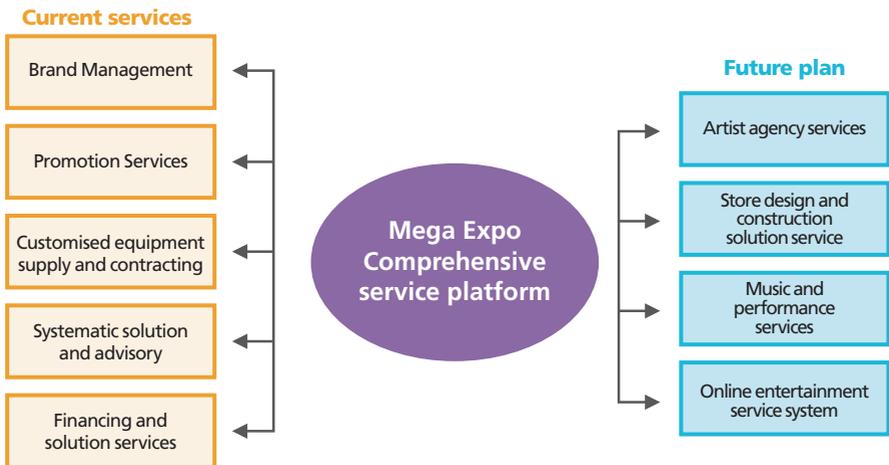
Aiming at enhancing the quality and expanding the scope of Comprehensive Services Platform, as well as the increasing demand in stores style design, construction, music and performance from the customers, the Group devotes to build a complete industry supply chain and intends to provide music and performance solution services, DJ agency services, entertainment supply chain services, stores style design and construction solutions to our existing Music Theme Stores customers. To further enhance the quality of services, the Group is planning to import artificial intelligence ("AI"), virtual reality technology ("VR") and 3D technology into Comprehensive Services Platform to Music Theme Stores customers in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUTURE PLANS AND PROSPECTS (Continued)

The diagram below sets forth our current and future services plan structure:

Build a comprehensive services platform for cultural and entertainment industry



In view of the satisfactory result from our recent business segments and future business expansion strategy in the PRC, the Group is planning to enhance our corporate profile and rebrand our corporate image and marketing position in order to align with our PRC business expansion and on-going business strategy in future.

Apart from the above, the Group is also committed to make a positive social impact as a responsible member of society. During the Reporting Period, the Group took an active role in social welfare and advocate of charity activities, included but not limited to the charity activities of Po Leung Kuk Hong Kong. The Group also offers competitive remuneration and benefits packages to our staff that are aligned with the local market. The Group invests in on-going training and development of our staff in order to help them realise their full potential. Through both in house and public training courses, the Group enables our staff to hone their technical competencies, language skills, people management abilities, as well as stay up-to-date with compliance knowledge.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS SEGMENT REVIEW

Operation of exhibition business, events planning and related services

Facing the challenges, which included the increased competition, increased costs and limited market potential in Hong Kong, the Group was prudent in managing exhibition business operations and evaluating business developing opportunities in Hong Kong. The Group considers to scale down the operations in Hong Kong, while exploring business opportunities outside Hong Kong at the same time in diversifying the revenue sources and strengthening the competitive advantages so that the Group can minimise possible exposure to the uncertainties in Hong Kong market. In the PRC, we delivered services in more than 30 exhibition events to our customers. During the Reporting Period, the overall exhibition business performance was weakening and revenue had decreased by approximately HK\$36.90 million, or 66% from approximately HK\$55.74 million for the six months ended 31 December 2017 to approximately HK\$18.84 million for the Reporting Period, mainly due to the scaling down of exhibition operations in Hong Kong and off-peak period of exhibition events in the PRC.

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

Operation of contracting services and entertainment equipment solution

In response to the phenomenon in entertainment industries where the overwhelming contracting suppliers were unable to deliver customised contracting services to meet the customers' demand, the Group commenced our own one-stop contracting and entertainment equipment solution services to our customers. The Group believes that such unique value-added services have great potential to drive our business growth and bring synergy of other business segment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS SEGMENT REVIEW (Continued)

Operation of contracting services and entertainment equipment solution (Continued)

Capitalising on the client network from NOD Union Platform, the Group also successfully provided equipment advisory on the spectacle of light art, specialised sound and music, interactive light and sound art installation projects for the players in the cultural and entertainment industries and satisfactory performance was recorded.

Perfect stage effect is crucial and customised entertainment equipment solution plays a vital role to meet customers' demand. Accordingly, the Group has delivered numerous customised contracting and supply of equipment services for more than 50 customers (high-end restaurants, lounges, clubs, and pubs). During the Reporting Period, the revenue is accounted for approximately HK\$93.62 million (six months ended 31 December 2017: Nil) or 33% (six months ended 31 December 2017: 0%) of the Group's total revenue. Profit in this segment was approximately HK\$28.22 million (six months ended 31 December 2017: loss of approximately HK\$0.18 million).

Operation of brand management and brand management related downstream businesses

The Group has propelled a remarkable progress in providing bar brand management services under the name of "PHEBE", "MT", "U.CLUB" and "DrOscar" in various cities in the PRC, including Shanghai, Suzhou, Yixing, Hefei, Nantong, Beihai, Harbin, Chongqing and Changsha etc. The Group secured a list of licensees operating under our acquired brands, which allows the Group to gain sharing of income from licensing, brand management and provision of management services.

During the Reporting period, the revenue in brand management and brand management related downstream businesses segment has increased by approximately HK\$9.35 million, or 54% from approximately HK\$17.37 million for the six months ended 31 December 2017 to approximately HK\$26.72 million for the Reporting Period, as a result of our number of licensees has increased significantly to 52 stores from 24 stores for the six months ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS SEGMENT REVIEW (Continued)

Operation of brand management and brand management related downstream businesses (Continued)

The diagram below sets forth the increase in the number of licensees under our bar brand.

	For the six months ended 31 December	
	2018	2017
	23 stores	19 stores
	16 stores	4 stores
DrOscar	11 stores	–
	2 stores	1 store
Total:	52 stores	24 stores

Operation of promotion and consulting services

During the Reporting Period, the Group has achieved remarkable results from promotion and consulting services segment and our expansion in the PRC recorded promising growth. During the Reporting Period, revenue in promotion and consulting services segment accounted for approximately HK\$139.07 million (six months ended 31 December 2017: Nil) or 49% (six months ended 31 December 2017: 0%) of the Group's total revenue. Profit in this segment was approximately HK\$114.12 million (six months ended 31 December 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS SEGMENT REVIEW (Continued)

Operation of promotion and consulting services (Continued)

During the Reporting Period, the Group has completed the planning and execution of more than 100 notable alcoholic promotion events in the PRC for the two top multinational alcoholic beverages suppliers. In addition, the Group successfully delivered promotion service for a leading mobile charging equipment producer in the PRC. The revenue of event promotion was approximately HK\$46.48 million (six months ended 31 December 2017: Nil).

In view of numerous notable promotion events operated by the Group and persistent high-quality services delivered by the Group, many bars, clubs, pubs, restaurants and lounges basic members were successfully attracted to convert to high tier diamond members. During the Reporting Period, the Group's total high tier diamond members has increased to over 90 members (2017: Nil).

Apart from the above, with the synergic advantages of NOD Union Platform, the Group has achieved remarkable result in the service of systematic business solution, entertainment advisory, event planning and other ad hoc consultancy for more than 100 clubs, lounges, bars, restaurants and pubs during the Reporting Period, the revenue was approximately HK\$68.01 million (2017: Nil).

Financing business

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

During the Reporting Period, the Group successfully delivered financial leasing services for more than 50 customers in cultural and entertainment industries. In overall, the revenue in financing business segment was approximately HK\$3.94 million (six months ended 31 December 2017: approximately HK\$0.34 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

INTERIM DIVIDEND

The board (the “**Board**”) of the directors (the “**Directors**”) of the Company do not recommend the payment of an interim dividend for the six months ended 31 December 2018 (2017: Nil).

CAPITAL STRUCTURE

As at 31 December 2018, the total equity of the Group was approximately HK\$277.47 million (30 June 2018: approximately HK\$389.87 million). The decrease was mainly attributable to the loss for the six months ended 31 December 2018 of approximately HK\$126.96 million as a result of significant increase in loss on change in fair value of contingent consideration payables during the Reporting Period.

FUND RAISING ACTIVITIES FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

Save as disclosed below, there were no other equity fund raising activities of the Company during the six months ended 31 December 2018:

Date of announcements	Fund raising activity	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
11 June 2018, 6 August 2018	Placing of bonds	HK\$4.5 million	<ul style="list-style-type: none"> (i) Development of existing exhibition and related business, brand management, financing business, entertainment promotion and consultancy business; (ii) Investment activities when such suitable investment opportunities arise; and (iii) General working capital of the Group 	Used as Intended

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUND RAISING ACTIVITIES FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (Continued)

Date of announcements	Fund raising activity	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
16 October 2018, 5 November 2018, 8 November 2018	Placing of bonds	HK\$294.0 million	(i) Development of existing equipment contracting services, entertainment equipment solution services, finance lease and commercial factoring business; and (ii) Investment activities when such suitable investment opportunities arise, with any remaining balance to be used as general working capital of the Group	As to approximately HK\$200.0 million was used to develop equipment contracting services, entertainment equipment solution services, finance lease and commercial factoring business and as to approximately HK\$94.0 million remained unutilized

SIGNIFICANT INVESTMENTS

A net loss of approximately HK\$16.68 million was recognised for the Group's financial assets at fair value through profit or loss for the six months ended 31 December 2018 (six months ended 31 December 2017: net gain of approximately HK\$0.15 million). Such net loss comprised (i) a loss on fair value change of profit guarantee of approximately HK\$16.68 million (six months ended 31 December 2017: approximately HK\$0.55 million) and (ii) a net realised and unrealised gain on financial assets at fair value through profit or loss of Nil (2017: approximately HK\$0.70 million). Details can be referred to Note 7 to the condensed consolidated financial statements.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS (Continued)

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

On 30 November 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement to acquire 51% equity interest in 上海伽貿展覽有限公司 (transliterated as “Shanghai Jiamao Expo Co., Ltd” or “Shanghai Jiamao”), at a cash consideration of approximately RMB45.65 million, equivalent to approximately HK\$51.98 million with vendors, the individual and independent third parties not connected with the Company and its connected person as at the date of entering into the sale and purchase agreement.

Pursuant to the terms of sale and purchase agreement in relation to the acquisition of Shanghai Jiamao, the vendors agreed to sell 51% equity interest of Shanghai Jiamao at a cash consideration of approximately RMB45.65 million equivalent to approximately HK\$51.98 million, of which RMB34.24 million equivalent to approximately HK\$38.98 million shall be settled upon the fulfilment of all condition precedents in the sales and purchase agreement, and the remaining of RMB11.41 million, equivalent to approximately HK\$13.00 million will be settled upon fulfillment of profit guarantee. The vendors undertake that the net profit of Shanghai Jiamao in the audited financial statements for each of the financial year ended 31 December 2019, 31 December 2020 and 31 December 2021 shall not be less than RMB9.29 million, RMB11.91 million and RMB13.16 million respectively. If there is a shortfall on the profit of Shanghai Jiamao in each of the above period, there will be cash compensation or deduction of consideration of the shortfall from the vendors to the Group.

The fair value of the above profit guarantee was based on a valuation conducted by an independent firm of professional valuer after assessing the possibility of meeting the guarantee profit and certain assumptions of market conditions. Shall the chance become higher on meeting the above profit guarantee, the possibility of requiring the vendors to compensate and thus the fair value of profit guarantee becomes lower. During the Reporting Period, the Group recognised a loss on fair value change of profit guarantee of approximately HK\$16.68 million (six months ended 31 December 2017: loss on fair value change of approximately HK\$0.55 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS (Continued)

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
Financial assets at fair value through profit or loss		
– Guaranteed profit	8,587	16,785
– Unlisted investment	30,000	–
– Early redemption right from corporate bonds	30,620	–

Financial assets at fair value through profit or loss in terms of market value as at 31 December 2018

An exhaustive list of stocks in term of market value as at 31 December 2018

Name of unlisted investment	Brief description of the business	Number of units held as at 31 December 2018	Investment cost as at 31 December 2018 HK\$'000	Market value as at 31 December 2018 HK\$'000	Percentage to total assets value of the Group as at 31 December 2018
Lan Kwai Fong Fund SP	Class A Shares and Class B Shares participating in Lan Kwai Fong Fund SP registered with the United States Internal Revenue Service. It uses rational leverage through structured instruments and invests in fixed-income varieties safe high-yield fund	–	30,000	30,000	3%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2018, the Group's total current assets and current liabilities were approximately HK\$756.69 million (30 June 2018: approximately HK\$302.91 million) and approximately HK\$241.03 million (30 June 2018: approximately HK\$114.15 million) respectively, while the current ratio was about 3.1 times (30 June 2018: 2.7 times).

As at 31 December 2018, the Group's total assets and total liabilities were approximately HK\$1,130.64 million (30 June 2018: approximately HK\$643.05 million) and approximately HK\$853.18 million (30 June 2018: approximately HK\$253.18 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.75 times as at 31 December 2018, as compared to that of approximately 0.39 times as at 30 June 2018. The increase was mainly due to effect of placing of bonds of approximately HK\$294 million (Details can be referred to the Section head "Fund raising activities for the six months ended 31 December 2018) and significant change in fair value of contingent consideration payables as a result of HK\$168 million to be settled by convertible notes in the major acquisition of Cheer Sino Group. (Details were set out in the announcement of the Company dated 8 March 2018).

As at 31 December 2018, the Group maintained cash and cash equivalents of approximately HK\$289.87 million (30 June 2018: approximately HK\$171.18 million). The increase in cash and cash equivalents was primarily due to effect of placing of bonds of approximately HK\$294 million. Details can be referred to the section headed "Fund raising activities for the six months ended 31 December 2018".

The cash and cash equivalents of the Group as at 31 December 2018 was mainly denominated in Hong Kong dollars ("**HK\$**") and Renminbi ("**RMB**").

As at 31 December 2018 and 30 June 2018, the Group did not pledge any of its assets and had no material capital commitment and contingent liabilities. The Group did not have any charges on its assets as at 31 December 2018 and 30 June 2018.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 126 full-time employees in Hong Kong and the PRC (30 June 2018: 75 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commission. Remuneration packages were generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and trainings to its employees. The Company has also adopted a share option scheme (the “**Share Option Scheme**”) as incentive to eligible employees.

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

SUBSEQUENT EVENTS

On 18 January 2019, an indirect wholly-owned subsidiary of the Company has entered into a non-legally binding strategic cooperation framework agreement with Hunan Province Good Agri-products Development & Service Association, pursuant to which both parties shall jointly organise and develop an agricultural related products exhibition in Hunan Province, the PRC. Details can be referred to the announcement of the Company dated 18 January 2019.

DISCLOSURE OF INTEREST

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules, were as follows:

Interest in underlying shares of the Company

Name of Director	Capacity/ Nature of interest	Number of underlying shares <i>(Note 1)</i>	Approximate percentage of interest in the Company
Mr. Deng Zhonglin	Beneficial owner	12,000,000 (L) <i>(Note 2)</i>	0.83%
Mr. Xu Feng	Beneficial owner	9,680,000 (L) <i>(Note 3)</i>	0.67%

Notes:

1. “L” denotes long position and “S” denotes short position.
2. These 12,000,000 underlying shares represent the 12,000,000 shares which may be allotted and issued to Mr. Deng Zhonglin upon full exercise of the share options granted to him under the Share Option Scheme.
3. These 9,680,000 underlying shares represent the 9,680,000 shares which may be allotted and issued to Mr. Xu Feng upon full exercise of the share options granted to him under the Share Option Scheme.



DISCLOSURE OF INTEREST (CONTINUED)

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

Interest in underlying shares of the Company (Continued)

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required 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 under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above in respect of the Directors' interest in securities regarding the Share Option Scheme, at no time during the six months ended 31 December 2018 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTEREST (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS SHARES AND UNDERLYING SHARES

As at 31 December 2018, to the best of the knowledge and belief of the Directors, the following person (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares/underlying shares (Note)	Approximate percentage of interest in the Company
Mr. Chen Chao	Beneficial owner	164,235,000 (L)	11.29%

Note: "L" denotes long position and "S" denotes short position.

Save as disclosed above, as at 31 December 2018, the Directors are not aware that there is any party (not being a Director or chief executive of the Company) who had any interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 31 December 2018.

SHARE OPTION SCHEME

On 18 October 2013, the Share Option Scheme was adopted. For the six months ended 31 December 2018, no share options have been granted under the Share Option Scheme. Details of the movements of the share options for the six months ended 31 December 2018 are as follows:

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

Note: The vesting of the options is conditional upon the fulfilment of certain performance targets relating to the Group. All the share options granted under the Share Option Scheme are subject to the following vesting period: 25% of the share options are exercisable from 31 December 2018 to 31 May 2028, 25% of the share options are exercisable from 30 June 2019 to 31 May 2028, 25% of the share options are exercisable from 31 December 2019 to 31 May 2028 and 25% of the share options are exercisable from 30 June 2020 to 31 May 2028.



CORPORATE GOVERNANCE

The Board regularly reviews the corporate governance practices and procedures of the Group. Throughout the six months ended 31 December 2018, the Group has applied the principles and adopted all code provisions (the "**Code Provisions**"), where applicable as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has applied the principles and complied with all applicable code provisions except for the following deviation:

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

Except for the above deviation from the CG Code, the Board is of the view that the Company has complied with the CG Code for the six months ended 31 December 2018. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

CHANGE OF COMPOSITION OF THE BOARD OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of composition of the Board since the publication of the Company's annual report 2017/18 was as below:

With effect from 11 October 2018, Mr. Qiu Peiyuan has been appointed as an independent non-executive Director.

CHANGE OF COMPOSITION OF THE BOARD OF DIRECTORS (CONTINUED)

Summary of the Directors and their role and function are set out as follows:

Executive Directors:

Mr. Deng Zhonglin (*Chairman*)

Mr. Xu Feng (*Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Choi Hung Fai

Mr. Tsang Wing Ki

Dr. Wong Kong Tin, *JP*

Mr. Qiu Peiyuan

Board Committees Directors	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Deng Zhonglin	–	M	C
Mr. Xu Feng	–	–	–
Mr. Choi Hung Fai	M	–	M
Mr. Tsang Wing Ki	C	M	–
Dr. Wong Kong Tin, <i>JP</i>	M	C	M
Mr. Qiu Peiyuan	–	–	–

Notes:

C – Chairman of the relevant Board committees

M – Member of the relevant Board committees

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiry made by the Company, each of the Directors confirmed that he had complied with the Model Code during the six months ended 31 December 2018.



AUDIT COMMITTEE

Pursuant to the requirements of the Code Provisions and the Listing Rules, the Company has established an audit committee (the “**Audit Committee**”) which consists of three independent non-executive Directors, namely Mr. Tsang Wing Ki (Chairman), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Company. The Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters concerning the unaudited consolidated results of the Group for the six months ended 31 December 2018.

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

Hong Kong, 27 February 2019



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

		For the six months ended 31 December	
		2018	2017
Notes		HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (Restated)
Revenue	5	282,178	73,459
Cost of sales		(95,269)	(25,674)
Gross profit		186,909	47,785
Other income	6	2,089	726
Other gains and losses	7	2,402	26,612
Selling expenses		(5,518)	(3,752)
Administrative expenses		(63,275)	(18,760)
Operating profit		122,607	52,611
Finance costs		(5,293)	(70)
Net (loss)/gain on financial assets at fair value through profit or loss	7	(16,675)	151
Net loss on change in fair value of contingent consideration payables	7	(185,530)	–
(Loss)/profit before tax	7	(84,891)	52,692
Income tax expenses	8	(42,070)	(7,592)
(Loss)/profit for the period		(126,961)	45,100
Other comprehensive (expenses)/income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(8,461)	2,706
Total comprehensive (expenses)/income for the period		(135,422)	47,806

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 31 December 2018

		For the six months ended 31 December	
Notes	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)	
(Loss)/profit for the period attributable to:			
Owners of the Company	(126,961)	45,100	
Non-controlling interests	—	—	
	(126,961)	45,100	
Total comprehensive (expenses)/income for the period attributable to:			
Owners of the Company	(135,422)	47,806	
Non-controlling interests	—	—	
	(135,422)	47,806	
(Loss)/earnings per share attributable to owners of the Company:			
Basic and diluted (<i>HK cents</i>)	10 (8.73)	3.28	

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

		At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		6,125	5,980
Intangible assets		17,885	22,511
Goodwill	11	331,423	290,982
Financial assets at fair value through profit or loss	12	8,477	13,430
Interest in an associate		–	12
Prepayments, deposits and other receivables		1,703	1,703
Deferred tax assets		4,221	5,525
Loan and interest receivables	14	4,118	–
		373,952	340,143
Current assets			
Inventories		44	3,400
Trade receivables	13	125,642	109,793
Loan and interest receivables	14	83,889	–
Prepayments, deposits and other receivables		84,525	14,954
Finance lease receivables		111,995	–
Financial assets at fair value through profit or loss	12	60,730	3,355
Income tax receivables		–	231
Cash and cash equivalents		289,867	171,175
		756,692	302,908

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2018

		At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
	<i>Notes</i>		
Current liabilities			
Trade payables	15	7,694	9,604
Receipts in advance		12,041	2,810
Accruals, deposits received and other payables		80,731	43,909
Contingent consideration payables	16	96,319	45,979
Dividend payables		14,542	–
Income tax payables		29,705	11,845
		<u>241,032</u>	<u>114,147</u>
Net current assets		<u>515,660</u>	<u>188,761</u>
Total assets less current liabilities		<u>889,612</u>	<u>528,904</u>
Non-current liabilities			
Contingent consideration payables	16	281,505	136,442
Corporate bonds	17	330,256	2,594
Receipts in advance		382	–
		<u>612,143</u>	<u>139,036</u>
NET ASSETS		<u>277,469</u>	<u>389,868</u>
Capital and reserves			
Share capital	18	2,908	2,908
Reserves		278,530	391,285
Equity attributable to owners of the Company		<u>281,438</u>	<u>394,193</u>
Non-controlling interests		(3,969)	(4,325)
TOTAL EQUITY		<u>277,469</u>	<u>389,868</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Convertible bonds reserve	Share option reserve	Exchange reserve	Other reserve	(Accumulated losses)/ retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2017 (audited)	2,702	196,806	-	-	(155)	(107)	(52,892)	146,354	(4,324)	142,030
Profit for the period	-	-	-	-	-	-	45,100	45,100	-	45,100
Other comprehensive income for the period	-	-	-	-	2,706	-	-	2,706	-	2,706
Total comprehensive income for the period	-	-	-	-	2,706	-	45,100	47,806	-	47,806
Issue of convertible bonds on acquisition of subsidiaries	-	-	21,897	-	-	-	-	21,897	-	21,897
Conversion of convertible bonds	52	40,474	(21,897)	-	-	-	-	18,629	-	18,629
At 31 December 2017 (unaudited)	2,754	237,280	-	-	2,551	(107)	(7,792)	234,686	(4,324)	230,362
At 1 July 2018 (audited)	2,908	351,261	-	6,202	(3,893)	(99)	37,814	394,193	(4,325)	389,868
Loss for the period	-	-	-	-	-	-	(126,961)	(126,961)	-	(126,961)
Other comprehensive expenses for the period	-	-	-	-	(8,461)	-	-	(8,461)	-	(8,461)
Total comprehensive expenses for the period	-	-	-	-	(8,461)	-	(126,961)	(135,422)	-	(135,422)
Recognition of equity-settled share-based payments	-	-	-	37,209	-	-	-	37,209	-	37,209
Dividends declared for 2018	-	-	-	-	-	-	(14,542)	(14,542)	-	(14,542)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	356	356
At 31 December 2018 (unaudited)	2,908	351,261	-	43,411	(12,354)	(99)	(103,689)	281,438	(3,969)	277,469

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	For the six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net cash used in operating activities	(139,629)	(85,399)
Net cash (used in)/generated from investing activities	(30,590)	61,875
Net cash generated from financing activities	298,510	—
Net increase/(decrease) in cash and cash equivalents	128,291	(23,524)
Cash and cash equivalents at the beginning of the period	171,175	54,583
Effect of foreign exchange rate changes	(9,599)	1,644
Cash and cash equivalents at the end of the period	289,867	32,703

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

The principal activity of the Company is investment holding. The Group is principally engaged in the organisation of exhibitions, events planning and related services, provision of brand management and related services, provision of contracting services and entertainment equipment solution, provision of promotion and consulting services, and provision of loan and financing.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 31 December 2018 (the “**Reporting Period**”) have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and with applicable disclosure requirements as set out in Appendix 16 to the Listing Rules. It was authorised for issue on 27 February 2019.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 as contained in the Company’s annual report 2017/18 (“**Annual Report**”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (Continued)

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements are denominated in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. Unless otherwise specifically stated, all amounts are presented in thousand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted and applied the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 July 2018.

Annual Improvements 2014-2016 Cycle	Improvements to HKFRSs in relation to HKAS 28 “Investments in Associates and Joint Ventures”
HKFRS 1 (Amendment)	As part of the Annual Improvements HKFRSs 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendment)	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Saved as described below, the adoption of these new standards, amendments to standards and interpretations has no material impact on the Group’s results and financial position, except for HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers as described below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for (i) classification and measurement of financial assets and financial liabilities, (ii) expected credit losses for financial assets and (iii) hedge accounting.

(a) *Classification and measurement*

The Directors reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost or fair value as were previously measured under HKAS 39.

(b) *Impairment*

The Group applied the simplified approach to provide for expected credit losses ("ECL") that are estimated based on the present value of all cash shortfalls over the remaining life of all its trade receivables. For loan receivables, the Group is required to recognise and measure either 12-month expected credit loss or a life time expected credit loss, depend on the fact and circumstances as at 1 July 2018. Based on the preliminary assessment, it is concluded that, as at 1 July 2018, no additional credit loss allowance has been recognised against accumulated losses as the estimated allowance under the ECL models were not significantly different to the impairment losses previously recognised under HKAS 39.

(2) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 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 recognize 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Specifically, HKFRS 15 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 performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) HKFRS 15 “Revenue from Contracts with Customers” (Continued)

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The application of the HKFRS 15 has no significant impact on the timing and amounts of revenue in the Reporting Period and accumulated losses as at 1 July 2018.

The Group has not early adopted the new or revised and amendments to HKFRSs that have been issued but are not yet effective. However, the Group is in the process of making assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group’s operation and may result in changes in the Group’s accounting policies, and changes in presentation and measurement of certain items of the Group’s financial statements.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2018 are the same as those followed in the preparation of Annual Report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SEGMENT INFORMATION

Information reported to the management of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performances focuses on types of services provided.

The operating and reportable segments are as follows:

Organisation of exhibitions, events planning and related services	Organising trade shows and exhibitions, events planning, provision of additional facilities, sub-contracting, management and ancillary services for trade shows, exhibitions and events
Financing	Provision of personal and corporate loans, money financing, finance leasing and credit factoring for clients in cultural and entertainment industries
Contracting services and entertainment equipment solution	Provision of contracting services and entertainment equipment solution, supplying and installation of equipment and facilities used in cultural and entertainment industries
Brand management and related services	Holding the trademarks and provision of management services
Promotion and consulting services	Organising promotion events for leading alcoholic beverage suppliers; provision of consulting and marketing services to NOD Union members; and ad-hoc consultancy services for the clients in cultural and entertainment industries

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SEGMENT INFORMATION (Continued)

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

For the six months ended 31 December

	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Total	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue												
Segment revenue	18,838	55,743	3,935	342	93,620	-	49,445	33,771	139,069	-	304,507	89,856
Inter-segment revenue	-	-	-	-	-	-	(22,729)	(16,397)	-	-	(22,729)	(16,397)
Revenue from external customers	18,838	55,743	3,935	342	93,620	-	26,716	17,374	139,069	-	282,178	73,459
Results												
Segment results	9,227	25,684	2,520	197	28,219	(175)	22,176	13,280	114,120	-	176,262	38,986
Net (loss)/gain on financial assets at fair value through profit or loss											(16,675)	151
Net loss on change in fair value of contingent consideration payables											(185,530)	-
Gain on disposal of subsidiaries											-	14,130
Unallocated income and other gains and losses											(19)	12,475
Unallocated corporate expenses											(53,636)	(12,980)
Finance costs											(5,293)	(70)
(Loss)/profit before tax											(84,891)	52,692
Income tax expenses											(42,070)	(7,592)
(Loss)/profit for the period											(126,961)	45,100

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SEGMENT INFORMATION (Continued)

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

	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and Consulting services		Total	
	At	At	At	At	At	At	At	At	At	At	At	
	31 December 2018	30 June 2018	31 December 2018	30 June 2018	31 December 2018	30 June 2018	31 December 2018	30 June 2018	31 December 2018	30 June 2018	31 December 2018	30 June 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Assets												
Segment assets	127,559	83,671	252,021	17,688	129,539	112,387	100,412	95,729	291,963	291,389	901,494	600,864
Unallocated corporate assets											229,150	42,187
											1,130,644	643,051
Liabilities												
Segment liabilities	66,130	14,183	8,102	140	19,405	15,550	35,989	4,968	195,224	30,916	324,850	65,757
Unallocated corporate liabilities											528,325	187,426
											853,175	253,183

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets; and
- all liabilities are allocated to reportable segments other than corporate liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SEGMENT INFORMATION (Continued)

Other segment information

For the six months ended 31 December

	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	(21)	(69)	-	-	(6)	-	(19)	(18)	(550)	-	(732)	(1,435)	(1,328)	(1,522)
Capital expenditures	(76,005)	-	(1,133)	(795)	-	(2)	(46,004)	(48,528)	(209,479)	-	(100)	(16)	(332,721)	(49,341)
Net (loss)/gain on financial assets at fair value through profit or loss	70	(460)	-	-	-	-	(330)	(87)	(16,415)	-	-	698	(16,675)	151
Gain on disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	14,130	-	14,130
Amortisation of intangible assets	-	-	-	-	-	-	(3,640)	(3,407)	-	-	-	-	(3,640)	(3,407)

5. REVENUE

Revenue represents income arising from the organisation of exhibitions, events planning and related services, provision of brand management and related services, provision of contracting services and entertainment equipment solution, provision of promotion and consulting services and provision of loan and financing.

An analysis of the Group's revenue is as follows:

	For the six months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Organisation of exhibitions, events planning and related services income	18,838	55,743
Brand management and related services income	26,716	17,374
Contracting services and entertainment equipment solution income	93,620	-
Promotion and consulting services income	139,069	-
Financing interest income	3,935	342
	282,178	73,459

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OTHER INCOME

	For the six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Government subsidies	2,059	351
Sundry income	30	375
	2,089	726

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging/(crediting):

	For the six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
Staff costs:		
Employee benefit expenses (including Directors' emoluments):		
– Salaries, allowance and other benefits	7,009	10,714
– Retirement benefit schemes contributions	1,104	154
– Equity-settled share-based payment expenses	37,209	–
	45,322	10,868

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. (LOSS)/PROFIT BEFORE TAX (Continued)

	For the six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
Other items:		
Depreciation of property, plant and equipment	1,328	1,522
Amortisation of intangible assets	3,640	3,407
Auditors' remuneration	425	1,072
Net loss on change in fair value of contingent consideration payables	185,530	–
Operating lease rentals in respect of land and building	6,929	3,442
Net loss/(gain) on financial assets at fair value through profit or loss:		
Net realised gain on financial assets at fair value through profit or loss	–	(280)
Net unrealised gain on financial assets at fair value through profit or loss	–	(418)
Loss on fair value change of profit guarantee (Note 12)	16,675	547
Net loss/(gain) on financial assets at fair value through profit or loss	16,675	(151)
Other gains and losses:		
Dividend income	–	(78)
Interest income	(1,720)	(889)
Exchange gains, net	(722)	(26)
Impairment loss recognised/(reversed) on other receivable	22	(11,500)
Gain on disposal of property, plant and equipment	–	(48)
Write off of property, plant and equipment	18	59
Net gain on disposal of subsidiaries	–	(14,130)
	(2,402)	(26,612)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. INCOME TAX EXPENSES

	For the six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax		
– Hong Kong Profits Tax	186	1,450
– PRC Enterprise Income Tax	<u>40,891</u>	<u>6,142</u>
	41,077	7,592
Overprovision in prior periods:		
– Hong Kong Profits Tax	(98)	–
Deferred tax:		
– Current period	<u>1,091</u>	<u>–</u>
Total	<u>42,070</u>	<u>7,592</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 31 December 2018 and 2017.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Group in the PRC is 25%.

Pursuant the EIT Law and its implementation rules, royalty receivable by non-PRC corporate residents from the PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

No provision for the US federal income tax and branch profits tax has been made as the US-incorporated subsidiary has been disposed during the year ended 30 June 2018 (six months ended 31 December 2017: no assessable profits generated by the US-incorporated subsidiary).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. DIVIDEND

During the six months ended 31 December 2018, a final dividend of HK1.0 cent per share in respect of the year ended 30 June 2018 (six months ended 31 December 2017: Nil) was approved. The aggregate amount of the final dividend approved in the Reporting Period amounted to HK\$14,542,000 (six months ended 31 December 2017: Nil).

No dividend was paid, declared or proposed for the Reporting Period (six months ended 31 December 2017: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted loss per share (six months ended 31 December 2017: earnings per share) is based on the loss attributable to owners of the Company for the Reporting Period of approximately HK\$126,961,000 (six months ended 31 December 2017: profit of approximately HK\$45,100,000) and at 31 December 2018 of approximately 1,454,200,000 ordinary shares (at 31 December 2017: weighted average number of approximately 1,373,212,000 ordinary shares) in issue.

The calculation of diluted loss per share for the six months ended 31 December 2018 has not assumed the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share (six months ended 31 December 2017: diluted earnings per share was an anti-dilutive effect after adjusting for the effect of interest on the convertible bond).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. GOODWILL

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
At the beginning of the period	290,982	35,998
Arising from acquisition of subsidiaries (<i>Note 19</i>)	40,441	254,984
	331,423	290,982

Goodwill acquired in a business combination is allocated to a cash-generating units that is expected to benefit from that business combination.

The Group tests goodwill impairment annually or more frequently if there are indications that goodwill might be impaired. During the Reporting Period, the Group determined that no impairment loss has been identified.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
Early redemption right from corporate bonds	30,620	–
Unlisted investment in overseas	30,000	–
Profit guarantee (<i>Note</i>)	<u>8,587</u>	<u>16,785</u>
	<u>69,207</u>	<u>16,785</u>
Analysed for reporting purposes as:		
Current portion	60,730	3,355
Non-current portion	<u>8,477</u>	<u>13,430</u>
	<u>69,207</u>	<u>16,785</u>

Note:

	Profit guarantee HK\$'000
At 1 July 2018 (Audited)	16,785
Arising from acquisition of a subsidiary (<i>Note 19</i>)	8,477
Loss on fair value change of profit guarantee (<i>Note 7</i>)	<u>(16,675)</u>
At 31 December 2018 (Unaudited)	<u>8,587</u>

At 31 December 2018, the fair value of profit guarantee was approximately HK\$8,587,000, resulting in a loss on fair value change and acquisition of a subsidiary of approximately HK\$16,675,000 and HK\$8,477,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. TRADE RECEIVABLES

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
Trade receivables	125,642	109,793

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for contracting services and entertainment equipment solution which settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The ageing analysis of trade receivables based on dates when services are rendered/invoice dates is as follows:

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
0 – 30 days	69,479	38,644
31 – 60 days	24,582	19,785
61 – 90 days	12,176	24,144
91 – 180 days	13,128	27,220
181 – 365 days	6,277	–
Total	125,642	109,793

As at 31 December 2018, no impairment loss on trade receivables was recognised, trade receivables of approximately HK\$9,259,000 (as at 30 June 2018: HK\$486,000) were past due but not impaired. The Group sought to maintain control over its outstanding receivables and overdue balances were regularly reviewed by management. The carrying amounts of trade receivables approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. TRADE RECEIVABLES (Continued)

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
0 – 30 days	4,621	356
31 – 60 days	4,638	23
61 – 90 days	–	107
	<hr/>	<hr/>
Total	9,259	486

14. LOAN AND INTEREST RECEIVABLES

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
Loan receivables	86,663	–
Interest receivables	1,344	–
	<hr/>	<hr/>
	88,007	–
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Current portion	83,889	–
Non-current portion	4,118	–
	<hr/>	<hr/>
	88,007	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. LOAN AND INTEREST RECEIVABLES (Continued)

All of the loan receivables are entered with contractual maturity from 3 months to 24 months. The Group seeks to maintain strict control over its loan and interest receivables in order to minimise credit risk by reviewing the borrowers' financial positions. As at 31 December 2018, unsecured loan with carrying amount of HK\$50,000,000 were advanced to several individuals with fixed interest rate of 18% per annum with contractual maturity of 3 months.

As at 31 December 2018, secured loan with carrying amount of approximately HK\$36,663,000 were advanced to several corporations with collateral over business equipments and bore fixed interest rate of 18% per annum with contractual maturity from 1 year to 2 years.

A maturity profile of the loan and interest receivables at the end of the Reporting Period, based on the maturity date, is as follows:

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
Within one year	83,889	–
In the second to fifth year, inclusive	4,118	–
	88,007	–

Loan and interest receivables were neither past due nor impaired at the end of Reporting Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. TRADE PAYABLES

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
Trade payables	7,694	9,604

The following is an ageing analysis of trade payables presented on the basis of the dates of the invoices:

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
0 – 30 days	6,444	9,604
31 – 60 days	834	–
61 – 90 days	130	–
91 – 180 days	286	–
	7,694	9,604

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. CONTINGENT CONSIDERATION PAYABLES

The calculation of contingent consideration at the end of the Reporting Period as follows:

	Total HK\$'000
At 1 July 2017	–
Arising from acquisition of subsidiaries, at fair value	239,512
Reclassified to convertible bonds and convertible bonds reserve	
– liabilities portion	(6,186)
– equity portion	(7,472)
Gain on change in fair value	<u>(43,433)</u>
At 30 June 2018 and 1 July 2018 (Audited)	182,421
Arising from acquisition of a subsidiary, at fair value	9,873
Loss on change in fair value (<i>Note</i>)	<u>185,530</u>
At 31 December 2018 (Unaudited)	<u><u>377,824</u></u>

Analysed for reporting purposes as:

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
Current liabilities	96,319	45,979
Non-current liabilities	281,505	<u>136,442</u>
	377,824	<u>182,421</u>

Note:

The contingent consideration payables relating to the acquisition of subsidiaries is measured at fair value by using income approach. Included in profit or loss for the Reporting Period was HK\$185,530,000 (six months ended 31 December 2017: Nil) of increase in fair value of contingent consideration payables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. CORPORATE BONDS

The carrying amounts of corporate bonds recognised at the end of the Reporting Period were calculated as follows:

	Unlisted bond ("Bond I") HK\$'000 (note (a))	Unlisted bond ("Bond II") HK\$'000 (note (b))	Unlisted bond ("Bond III") HK\$'000 (note (c))	Unlisted bond ("Bond IV") HK\$'000 (note (d))	Unlisted bond ("Bond V") HK\$'000 (note (e))	Unlisted bond ("Bond VI") HK\$'000 (note (f))	Total HK\$'000
At 1 July 2017	-	-	-	-	-	-	-
Principal value of the corporate bonds on initial recognition	3,000	-	-	-	-	-	3,000
Direct transaction costs	(420)	-	-	-	-	-	(420)
	2,580	-	-	-	-	-	2,580
Effective interest expenses	14	-	-	-	-	-	14
Less: interest paid	-	-	-	-	-	-	-
At 30 June 2018 and 1 July 2018 (Audited)	2,594	-	-	-	-	-	2,594
Principal value of the corporate bonds on initial recognition	-	1,000	2,000	2,000	-	-	5,000
Fair value of the corporate bonds on initial recognition	-	-	-	-	308,579	22,041	330,620
Direct transaction costs	-	(140)	(210)	(140)	(5,600)	(400)	(6,490)
	2,594	860	1,790	1,860	302,979	21,641	331,724
Effective interest expenses	136	34	58	45	4,685	335	5,293
Less: interest paid	-	(23)	(45)	(35)	(6,214)	(444)	(6,761)
At 31 December 2018 (Unaudited)	2,730	871	1,803	1,870	301,450	21,532	330,256



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. CORPORATE BONDS (Continued)

Notes:

- (a) In June 2018, the Group issued an unsecured corporate bond with principal amount of HK\$3,000,000, carrying interest at the rate of 6.25% per annum payable annually for a term of 4 years, which will be due on 11 June 2022. The effective interest rate is 10.21% per annum.

The Company has the right to redeem the outstanding principal amount at agreed time before the optional redemption date, which are 11 June 2019, 11 June 2020 and 11 June 2021 with at least 7 clear business days written notice, but the bondholder has no right to require the Company to redeem the corporate bond. The redemption right is not recognised in the condensed consolidated financial statements since the Directors consider that the probability of exercise of the redemption right is remote. The Directors have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, the fair value was not accounted for in the condensed consolidated financial statements as at 31 December 2018.

- (b) In August 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK\$1,000,000, carrying interest at the rate of 6.25% per annum payable semi-annually for a term of 4 years, which will be due on 13 August 2022. The effective interest rate is 10.46% per annum.

The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond on a "first in, first out" basis together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond. The redemption right is not recognised in the condensed consolidated financial statements since the Directors consider that the probability of exercise of the redemption right is remote. The Directors have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, the fair value was not accounted for in the condensed consolidated financial statements as at 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. CORPORATE BONDS (Continued)

Notes: (Continued)

- (c) In August 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK\$2,000,000, carrying interest at the rate of 6.25% per annum payable semi-annually for a term of 3 years, which will be due on 20 August 2021. The effective interest rate is 9.13% per annum.

The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond on a "first in, first out" basis together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond. The redemption right is not recognised in the condensed consolidated financial statements since the Directors consider that the probability of exercise of the redemption right is remote. The Directors have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, the fair value was not accounted for in the condensed consolidated financial statements as at 31 December 2018.

- (d) In September 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK\$2,000,000, carrying interest at the rate of 6% per annum payable semi-annually for a term of 2 years, which will be due on 11 September 2020. The effective interest rate is 8.18% per annum.

The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond on a "first in, first out" basis together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond. The redemption right is not recognised in the condensed consolidated financial statements since the Directors consider that the probability of exercise of the redemption right is remote. The Directors have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, the fair value was not accounted for in the condensed consolidated financial statements as at 31 December 2018.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. CORPORATE BONDS (Continued)

Notes: (Continued)

- (e) In November 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK\$280,000,000, carrying interest at the rate of 15% per annum payable quarterly for a term of 2 years, which will be due on 7 November 2020. The fair value of the bond at the date of issue was HK\$308,579,000. The effective interest rate is 10.45% per annum.

The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond.

- (f) In November 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK\$20,000,000, carrying interest at the rate of 15% per annum payable quarterly for a term of 2 years, which will be due on 7 November 2020. The fair value of the bond at the date of issue was HK\$22,041,000. The effective interest rate is 10.45% per annum.

The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. SHARE CAPITAL

	Par value HK\$	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 July 2017, 30 June 2018 and 31 December 2018	0.002	<u>5,000,000,000</u>	<u>10,000</u>
Issued and fully paid:			
At 1 July 2017	0.002	1,350,800,000	2,702
Conversion of convertible bonds (<i>Note a</i>)	0.002	34,800,000	69
Placing of shares (<i>Note b</i>)	0.002	<u>68,600,000</u>	<u>137</u>
At 30 June 2018 (Audited) and 31 December 2018 (Unaudited)	0.002	<u>1,454,200,000</u>	<u>2,908</u>

Notes:

- (a) On 27 July 2017, convertible bonds with principal amount of HK\$24,012,000 were converted into 26,100,000 ordinary shares at a conversion price of HK\$0.92 per ordinary share. The shares were allotted and issued to the vendor of Fortune Selection Group.

On 6 June 2018, convertible bonds with principal amount of HK\$8,004,000 were converted into 8,700,000 ordinary shares at a conversion price of HK\$0.92 per ordinary share. The ordinary shares were allotted and issued to the vendor upon the fulfilment of profit guarantee relating to the acquisition of the entire equity interests of Fortune Selection Group.

- (b) On 24 November 2017, the Company and the placing agent entered into a placing agreement, pursuant to which the placing agent agreed to procure not less than six places to purchase up to 68,600,000 shares at placing price of HK\$1.5 per share (the "Placing"). The Placing was approved by the shareholders at the extraordinary general meeting of the Company held on 19 January 2018 and a total of 68,600,000 ordinary shares were issued under the specific mandate on 8 March 2018. The premium on the issue of shares, amounting to approximately HK\$100,190,000, net of share issue expenses, was credited to the Company's share premium account.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. ACQUISITION OF SUBSIDIARIES

I. Acquisition of CIS Industrial Co., Limited and its subsidiary (“CIS Industrial Group”)

On 25 June 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a vendor, an independent third party, for the acquisition of 100% equity interest of CIS Industrial Group, at a cash consideration of HK\$330,000. The acquisition was completed on 5 July 2018. The amount of goodwill arising as a result of the acquisition was approximately HK\$334,000.

CIS Industrial Group is conducting finance leasing business in the PRC.

II. Acquisition of Hananhal Investment Holding Co., Limited and its subsidiary (“Hananhal Group”)

On 1 November 2018, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a vendor, an independent third party, for the acquisition of 100% equity interest of Hananhal Group, at a cash consideration of HK\$100,000. The acquisition was completed on 5 November 2018. The amount of goodwill arising as a result of the acquisition was approximately HK\$100,000.

Hananhal Group is conducting credit factoring business in the PRC.

III. Acquisition of 上海伽貿展覽有限公司 (transliterated as “Shanghai Jiamao Expo Co., Ltd” or “Shanghai Jiamao”)

On 30 November 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the vendors, the independent third parties, for the acquisition of 51% equity interest of Shanghai Jiamao, at a cash consideration of approximately RMB45,648,000, equivalent to approximately HK\$51,975,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. ACQUISITION OF SUBSIDIARIES (Continued)

III. Acquisition of 上海伽貿展覽有限公司 (transliterated as “Shanghai Jiamao Expo Co., Ltd” or “Shanghai Jiamao”)

The consideration for the acquisition is satisfied by the following:

	HK\$'000
Initial consideration	38,981
Contingent consideration	<u>12,994</u>
Total purchase consideration	<u>51,975</u>

Included in the acquisition of Shanghai Jiamao, there was a profit guarantee pursuant to which the vendors guaranteed to the Group the audited net profit after tax of Shanghai Jiamao for the relevant periods. If the net profit for relevant periods is less than the guaranteed profit for the relevant periods or there is a net loss in the relevant periods, the Group is entitled to deduct from contingent consideration an amount equal to the adjustment as defined in the sale and purchase agreement.

The fair value of the contingent consideration payables and profit guarantee were approximately HK\$9,873,000 and HK\$8,477,000 respectively. The amount of goodwill arising as a result of the acquisition was approximately HK\$40,007,000.

Shanghai Jiamao is principally engaged in organisation of exhibition and event planning and related services.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. ACQUISITION OF SUBSIDIARIES (Continued)

Non-controlling interests

The non-controlling interest (49%) in Shanghai Jiamao recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Shanghai Jiamao and amounted to HK\$356,000.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	CIS Industrial Group HK\$'000	Hananhal Group HK\$'000	Shanghai Jiamao HK\$'000	Total HK\$'000
Non-current asset				
Property, plant and equipment	—	—	171	171
	—	—	171	171
Current asset				
Cash and cash equivalents	—	—	1,139	1,139
	—	—	1,139	1,139
Total assets	—	—	1,310	1,310
Current liability				
Other payables	(4)	—	(584)	(588)
Total liability	(4)	—	(584)	(588)
Net (liabilities recognised)/ assets acquired	(4)	—	726	722

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. ACQUISITION OF SUBSIDIARIES (Continued)

Goodwill arising on acquisition

	CIS Industrial Group HK\$'000	Hananhal Group HK\$'000	Shanghai Jiamao HK\$'000	Total HK\$'000
Consideration paid and payable:				
– Cash paid during the period	330	100	–	430
– Consideration payable	–	–	38,981	38,981
– Contingent consideration payables	–	–	9,873	9,873
Total consideration paid and payable	330	100	48,854	49,284
Add: Non-controlling interests	–	–	356	356
Less: Fair value of profit guarantee at acquisition date (Note 12)	–	–	(8,477)	(8,477)
Add/(less): Net liabilities recognised/assets acquired	4	–	(726)	(722)
Goodwill arising on acquisition of subsidiaries (Note 11)	334	100	40,007	40,441

None of the goodwill arising on acquisition of subsidiaries is expected to be deductible for tax purpose.

Goodwill arose in the acquisition of CIS Industrial Group, Hananhal Group and Shanghai Jiamao because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash inflow arising on acquisition

	CIS Industrial Group HK\$'000	Hananhal Group HK\$'000	Shanghai Jiamao HK\$'000	Total HK\$'000
Consideration paid in cash	330	100	-	430
Less: cash and cash equivalents balances acquired	-	-	(1,139)	(1,139)
Net cash (inflow)/outflow in respect of the acquisition of subsidiaries	<u>330</u>	<u>100</u>	<u>(1,139)</u>	<u>(709)</u>

Impact of acquisition on the results of the Group

The amounts of revenue and profit or loss of the acquirees since the acquisition date included in the condensed consolidated statement of profit or loss and other comprehensive income:

	CIS Industrial Group HK\$'000	Hananhal Group HK\$'000	Shanghai Jiamao HK\$'000	Total HK\$'000
Revenue	<u>2,652</u>	<u>-</u>	<u>-</u>	<u>2,652</u>
Profit/(loss)	<u>1,041</u>	<u>(2)</u>	<u>-</u>	<u>1,039</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. ACQUISITION OF SUBSIDIARIES (Continued)

Impact of acquisition on the results of the Group (Continued)

Had the acquisitions been completed on 1 July 2018, the total amount of revenue of the Group for the six months ended 31 December 2018 would have been approximately HK\$282,178,000 and the loss for the Reporting Period would have been approximately HK\$127,354,000. Below are the contributions from each acquiree:

	For the six months ended 31 December 2018 HK\$'000	CIS Industrial Group HK\$'000	Hananhal Group HK\$'000	Shanghai Jiamao HK\$'000	Projected total HK\$'000
Revenue	282,178	-	-	-	282,178
Profit/(loss)	(126,961)	31	(10)	(414)	(127,354)

The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 July 2018, nor is it intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere to the condensed consolidated financial statements, the Group had entered into the following related party transactions, which in the opinion of the Directors, were carried out on normal commercial terms and in the ordinary course of business of the Group.

Remuneration for key personnel management, including emoluments paid to the Company's directors and certain highest paid employees of the Group, are as follows:

	For the six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Salaries, allowances and other benefits	2,473	1,413
Retirement benefit scheme contributions	3	9
Equity-settled share-based payment expenses	8,067	–
	<hr/>	<hr/>
Total compensation paid to key management personnel	10,543	1,422

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. OPERATING LEASE COMMITMENTS

At 31 December 2018 and 30 June 2018, the Group had outstanding commitments payable under non-cancellable operating leases in respect of properties rented with lease terms of between 1 to 5 years which fall due as follows:

	At 31 December 2018 HK\$'000 (Unaudited)	At 30 June 2018 HK\$'000 (Audited)
Within one year	12,541	14,460
In the second to fifth year, inclusive	16,262	20,256
	28,803	34,716

22. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2018.

23. EVENTS AFTER THE REPORTING PERIOD

Details of subsequent events after the reporting period can be referred to the section headed "Subsequent Events" in the "Management Discussion and Analysis" section of this interim report.

24. COMPARATIVE FIGURES

Certain comparative figures for the six months ended 31 December 2017 have been reclassified to conform to the Reporting Period's presentation.