KIRIN GROUP HOLDINGS LIMITED
麒麟集團控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 8109)

# 2018
# Annual Report

A Step Forward, A Leap for Life

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the companies listed on GEM and generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the "Directors") of Kirin Group Holdings Limited (the "Company"), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.*

*The report will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days after its posting and the website of the Company at www.tricor.com.hk/webservice/08109.*

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Chow Yik *(Chairman)*
Dr. Ma Jun
Mr. Leung King Fai

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Chi Ho, Dennis
Ms. Chan Sin Wa, Carrie
Mr. Chung Shu Kun, Christopher

## COMPLIANCE OFFICER

Dr. Ma Jun

## COMPANY SECRETARY

Mr. Leung King Fai

## COMMITTEES

### AUDIT COMMITTEE

Mr. Ng Chi Ho, Dennis *(Chairman)*
Ms. Chan Sin Wa, Carrie
Mr. Chung Shu Kun, Christopher

### NOMINATION COMMITTEE

Mr. Ng Chi Ho, Dennis *(Chairman)*
Ms. Chan Sin Wa, Carrie
Mr. Chung Shu Kun, Christopher

### REMUNERATION COMMITTEE

Mr. Ng Chi Ho, Dennis *(Chairman)*
Ms. Chan Sin Wa, Carrie
Mr. Chung Shu Kun, Christopher

## AUTHORISED REPRESENTATIVES

Dr. Ma Jun
Mr. Leung King Fai

## AUDITOR

Jonten Hopkins CPA Limited
Certified Public Accountants
3/F, Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong

## LEGAL ADVISERS

Bermuda Law:
Conyers Dill & Pearman
Room 2901, One Exchange Square
8 Connaught Place, Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

23rd Floor, Sang Woo Building
227–228 Gloucester Road
Hong Kong

## PRINCIPAL PLACES OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Jinyintan, Chetouping, Taiping Town
Shixing County, Shaoguan City
Guangdong Province

## GEM STOCK CODE

8109

## COMPANY WEBSITE

www.tricor.com.hk/webservice/08109

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Kirin Group Holdings Limited, (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present our annual report for the year ended 30 June 2018.

## REVIEW OF RESULTS

For the year ended 30 June 2018, the Group's revenue was approximately HK$74,879,000. The Group recorded a net loss of approximately HK$81,806,000 for the year ended 30 June 2018.

## BUSINESS OPERATION

The Group was principally engaged in (a) the provision of energy saving solutions and the sale of related products in Mainland China (discontinued in October 2017); (b) the provision of insurance brokerage and related services in Hong Kong; (c) the provision of asset management services in Hong Kong; (d) the provision of money lending services in Hong Kong; (e) the provision of information technology services in the Philippines; and (f) livestocks business in Mainland China during the year ended 30 June 2018.

With a view to providing the shareholders with better returns, the Group has progressively explored different business opportunities to diversify its business.

The management of the Group is committed to looking for business opportunities that would generate long-term returns to the shareholders of the Company.

## PROSPECTS

The Group is taking positive steps to restructure the Group's business operations to build sustainable business operations for the Group in order to maximise the returns to the shareholders of the Company.

Looking forward to the coming year, the Group will continue to look for appropriate investment opportunities with reasonable and potential returns to enhance the Group's future development opportunity. Besides, the Company may carry out fund raising activities including but not limited to placing of new shares and issue bonds.

## APPRECIATION

I hereby take this opportunity to express our appreciation to all the Board members for their support and efforts to the Group. In addition, on behalf of the Board, I also would like to express our sincere thanks to the officers, and all staff for their dedication and hardworking throughout the year.

**Chow Yik**
*Chairman*
Hong Kong, 28 September 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group was principally engaged in (a) the provision of energy saving solutions and the sale of related products in Mainland China (discontinued in October 2017); (b) the provision of insurance brokerage and related services in Hong Kong; (c) the provision of asset management services in Hong Kong; (d) the provision of money lending services in Hong Kong; (e) the provision of information technology services in the Philippines; and (f) livestocks business in Mainland China during the year ended 30 June 2018.

### Provision of energy saving solutions and the sale of related products

The performance of energy saving business was significantly influenced by the competitive price of crude oil and the continuous decline in real estate sales in Mainland China. Given the poor performance of the energy saving business, the Company disposed two subsidiaries which were engaged in the provision of energy saving solutions and sale of energy saving products on 31 October 2017.

### Provision of insurance brokerage and related services

The revenue decreased by 19% to approximately HK$47,862,000 for the year ended 30 June 2018. The decrease in revenue was mainly due to increasing market competition of insurance brokerage industry in Hong Kong during recent years, which has led to the slowdown of our insurance brokerage business during the year ended 30 June 2018.

During the year ended 30 June 2018, the Company reviewed and examined the current operations of the Group and considered the recoverable amount of property, plant and equipment from its insurance brokerage and related service business is minimal. Accordingly, full impairment loss of approximately HK$3,012,000 (2017: HK$Nil) is recognised in these consolidated financial statements.

### Asset management services

In view of the limited financial resources of the Group and the change of key management staff, the Company decided not to develop asset management business in the foreseeable future. The goodwill arising from the acquisition of the asset management business segment, which was impaired in full during the year ended 30 June 2018, amounted to approximately HK$4,258,000. This segment did not have any revenue for the year ended 30 June 2018.

### Money lending business

The money lending business of the Company recorded a revenue of approximately HK$17,855,000 which represents an increase of approximately 40% from the corresponding period in 2017. This segment recorded a profit of approximately HK$17,388,000 for the year ended 30 June 2018.

Benefited from its successful marketing campaign, the Company will continue with its marketing campaign so as to get further market share in the money lending industry.

### Livestocks business

The Group is constantly exploring opportunities in the diversification of business risk with a view to maximizing returns to the Group and the shareholders of the Company as a whole in the long run. As part of the Company's diversification plan, the Company has expanded into the industry of livestocks business through developing the farms in Mainland China.

This new business segment recorded a revenue of approximately HK$208,000 and a segment loss of approximately HK$605,000 for the year ended 30 June 2018. The Company will closely monitor the performance of this new business segment.

### Information technology service

The information technology service business mainly includes the provision of online gaming platforms and software applications in the Philippines. The segment revenue increased from approximately HK$7,620,000 for the year ended 30 June 2017 to HK$8,954,000 for the year ended 30 June 2018. The increase is mainly attributable to the increase in number of customers. However, owing to the uncertain political conditions and change in government policy in the Philippines which affect adversely the future growth and profits of the Group's information technology service business, an impairment loss on goodwill of approximately HK$20,705,000 was recognised during the year ended 30 June 2018. The Company will closely monitor the performance of the information technology service segment.

## FINANCIAL REVIEW

The Group's revenue decreased from approximately HK$79,562,000 for the year ended 30 June 2017 to approximately HK$74,879,000 for the year ended 30 June 2018, which was represented a decrease of approximately HK$4,683,000 or 5.9%. The decrease in the Group's revenue for the year ended 30 June 2018 was mainly attributable to the decrease in the insurance brokerage service segment revenue.

The distribution costs for the year ended 30 June 2018 decreased significantly by approximately 60.4% to approximately HK$10,672,000, as compared to previous year (2017: approximately HK$26,965,000). Decrease in distribution costs was mainly due to the decrease in marketing expenses and transportation costs. Such significant decrease in various distribution costs was in line with the decrease in the turnover of the insurance brokerage revenue during the year.

Administrative expenses for the year ended 30 June 2018 was approximately HK$69,116,000, increased by approximately HK$15,200,000 or 28.2% as compared with the previous year (2017: approximately HK$53,916,000). The increase in administrative expenses was due mainly to increase in computer expenses, operating lease rentals of premises, travelling and entertainment expenses.

The finance costs for the year ended 30 June 2018 increased significantly by approximately 29.7% to approximately HK$30,956,000, as compared to previous year (2017: approximately HK$23,869,000). Increase in finance costs was mainly the increase of interest expenses on corporate bonds and other borrowings.

The Group recorded a net loss of approximately HK$81,806,000 for the year ended 30 June 2018, representing a decrease of approximately HK$19,730,000 or 19.4% as compared to the previous year (2017: approximately HK$101,536,000). Significant decrease in net loss was a result of the gain on disposal of subsidiaries.

Loss per share for the year ended 30 June 2018 was HK$38.24 cents (2017: HK$152.09 cents (restated)).

Trade and other receivables decreased from approximately HK$52,237,000 for the year ended 30 June 2017 to approximately HK$33,697,000 for the year ended 30 June 2018. The decrease was mainly due to certain prepayments made in last year were realized as expenses during the year. Besides, less marketing and promotion expenses were prepaid as at 30 June 2018.

Trade and other payables decreased from approximately HK$45,660,000 for the year ended 30 June 2017 to approximately HK$38,199,000 for the year ended 30 June 2018. The decrease was mainly due to certain other payable and accrued expenses recorded in last year were paid during the year. Fund raising activities were carried out during the year. Part of the proceeds was used in financing general working capital. Thus, other payables and accrued expenses were less than last year.

### Use of Proceeds from Equity Fund Raising Activities

| Date of announcement | Fund raising activity | Net proceeds raised (approximately) | Intended use of the proceeds | Actual use of the proceeds |
|---|---|---|---|---|
| 16 May 2017 | Rights issue | HK$217.42 million | (i) approximately HK$190.42 million for the repayment of outstanding liabilities; (ii) approximately HK$25 million for the development of the Group's securities business; and (iii) approximately HK$2 million for the general working capital of the Group. | (i) approximately HK$173.6 million for the repayment of corporate bonds, promissory notes and other borrowing; (ii) approximately HK$13.6 million for the repayment of finance interests; (iii) approximately HK$11.7 million for the repayment of bond direct costs; (iv) approximately HK$1.7 million for the reallocation of offices of subsidiaries; (v) approximately HK$1.4 million for information system development; (vi) approximately HK$3.24 million for staff recruitment; (vii) approximately HK$2 million for payment of salaries and rental expenses; and (viii) approximately HK$10.18 million was maintained at the Group's bank accounts. The amount was mainly allocated for the repayment of outstanding liabilities. |

## FINANCIAL POSITION

As at 30 June 2018, the net current assets was approximately HK$151,637,000 (2017: HK$22,586,000) of which approximately HK$10,436,000 were cash and cash equivalents (2017: approximately HK$22,091,000). The Group had no bank borrowing as at 30 June 2018 (2017: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank balances as at 30 June 2018 was approximately HK$10,436,000 (2017: approximately HK$22,091,000). As at 30 June 2018, the Group current ratio was 1.82 (2017: 1.11), comprised current assets of approximately HK$336,463,000 and current liabilities of approximately HK$184,826,000. The gearing ratio was approximately 1.4 (2017: 11.9) as at 30 June 2018, which was computed as total liabilities of approximately HK$209,061,000 divided by total equity of approximately HK$149,106,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL RAISING

Other than as disclosed under the section "Major Event During the Year Under Review", the Company had no capital raising activity during the year under review.

## SIGNIFICANT INVESTMENTS

Other than as disclosed under the section "Major Events During the Year Under Review", the Group had no other significant investments during the year under review.

## CAPITAL STRUCTURE

Details of changes in capital structure of the Company during the year ended 30 June 2018 are set out in note 34 to the financial statements.

## CAPITAL COMMITMENTS

Details of capital commitments of the Group as at 30 June 2018 are set out in note 42 to the financial statements.

## CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities.

## FOREIGN CURRENCY EXPOSURE

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 46 (2017: 48) full-time employees. Staff costs for the year ended 30 June 2018 was approximately HK$22,600,000 (2017: approximately HK$18,595,000).

The remuneration policy for the employees of the Group is based on their respective merit, qualifications and competence and prevailing market conditions.

## DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2018 (2017: Nil).

## PLEDGE OF ASSETS

Save as the finance leases disclosed in note 30 to the financial statements, as at 30 June 2018 and 2017, none of the assets of the Group has been pledged.

# BIOGRAPHICAL INFORMATION OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. CHOW Yik**

Mr. Chow Yik, aged 37, the Chairman of the Board. Mr. Chow obtained the degree of Bachelor of Engineering, majoring in Electronic and Communication Engineering from the City University of Hong Kong. Mr. Chow is a fellow member of the Institute of Directors. Mr. Chow was an executive director of Hao Wen Holdings Limited, a company listed on GEM of Stock Exchange from January 2011 to May 2016.

**Dr. MA Jun**

Dr. Ma Jun, aged 42, is the Chief Operation Officer of the Company. Dr. Ma holds a doctorate degree in computer technology and application engineering from Tsinghua University, the PRC. He has extensive research experience in computerised control system for thermal energy saving.

**Mr. LEUNG King Fai**

Mr. LEUNG King Fai, aged 46, the Company Secretary of the Company. Mr. Leung graduated from Deakin University with a Bachelor's degree in Commerce. Mr. Leung is a member of CPA Australia, the Hong Kong Institute of Certified Public Accountants and Chartered Institute of Management Accountants. Mr. Leung currently is an Independent Non-executive Director of Daisho Microline Holdings Limited, a company listed on the main board of Stock Exchange and an Independent Director of Chineseinvestors.com Inc., a company listed on the OTCQB of United States, Mr. Leung was an Independent Director of Biostar Pharmaceuticals Inc., a company listed on NASDAQ Stock Market in New York from April 2011 to December 2017.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. NG Chi Ho, Dennis**

Mr. Ng Chi Ho, Dennis, aged 60, holds a Bachelor of Commerce degree from the University of New South Wales, Australia and is a chartered accountant of The Chartered Accountants Australia and New Zealand as well as a fellow member of The Hong Kong Institute of Certified Public Accountants. Mr. Ng is currently an independent non-executive director of Media Asia Group Holdings Limited and China City Infrastructure Group Limited, the shares of which are respectively listed on the GEM and Main Board of the Stock Exchange.

**Ms. CHAN Sin Wa, Carrie**

Ms. Chan Sin Wa, Carrie, aged 39, has extensive working experience in the accounting and auditing industry. She graduated from Oxford Brookes University in Applied Accounting and was an Audit Manager in a medium-sized audit firm. She is an associate member of the Hong Kong Institute of Certified Public Accountants.

**Mr. CHUNG Shu Kun, Christopher *BBS, MH, JP***

Mr. Chung Shu Kun, Christopher *BBS, MH, JP*, aged 61, possesses a Master of Science of e-Business awarded by Glasgow Caledonia University, United Kingdom and a Master of Business Administration awarded by University of Wales, United Kingdom. Mr. Chung was a member of the Hong Kong Legislative Council, the Eastern District Council of Hong Kong. Mr. Chung currently is a committee member of China Overseas Friendship Association and Guangzhou Overseas Friendship Association, and honorary advisor of Dongguan Overseas Friendship Association. He also involves in other community services, which include the vice president of Hong Kong Fishermen Consortium, the vice president and a standing committee of Hong Kong Eastern District Community Association# (東區各界協會), the Court member of the University of Hong Kong and the Council member of Hong Kong Chinese Orchestra.

# *for identification purpose only*

# REPORT OF THE DIRECTORS

The board of directors (the "Board") has pleasure in presenting the annual report and the audited financial statements of the Company for the year ended 30 June 2018.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries of the Company as at 30 June 2018 are set out in note 50 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2018 and the state of the affairs of the Group as at that date are set out in the financial statement on pages 36 to 119.

## SHARE CAPITAL AND RESERVES

As at 30 June 2018, the total number of shares issued by the Company was 4,433,685,375 shares. Details of the capital structure of the Company are set out in note 34 to the consolidated financial statements.

Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on page 40.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws and there is no restriction against such rights under the laws of Bermuda.

## FINANCIAL SUMMARY

A summary of published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Company, is set out on page 120. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 5 November 2010, pursuant to which the Directors may grant options to eligible participants to subscribe for shares in the Company subject to the terms and conditions stipulated therein. Details of movements in the Company's share options during the year ended are set out in note 35 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## CONNECTED TRANSACTIONS

During the year ended 30 June 2018, there were no transactions needed be disclosed as connected transactions in the financial statements and in accordance with the requirements of Chapter 20 of the GEM Listing Rules.

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the provisions of CG Code. The Audit Committee currently comprises three independent non- executive Directors, namely Mr. Ng Chi Ho, Dennis (as the chairman), Ms. Chan Sin Wa, Carrie and Mr. Chung Shu Kun, Christopher. The Company's annual results for the year ended 30 June 2018 have been reviewed by the audit committee of the Company.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2018, none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2018.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the Reporting Period and up to the date of this report were:

*Executive directors:*
Mr. Chow Yik
Dr. Ma Jun
Mr. Leung King Fai

*Independent non-executive directors:*
Mr. Ng Chi Ho, Dennis
Ms. Chan Sin Wa, Carrie
Mr. Chung Shu Kun, Christopher

In accordance with the Bye-Law 87(1) of the Company's Bye-Laws, Dr. Ma Jun and Mr. Chung Shu Kun, Christopher will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

All Directors are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Bye-Laws of the Company.

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 11(a) and 11(b) to the financial statements, respectively.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

None of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2018, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

Save as disclosed below, as at 30 June 2018, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group:

| Name | Capacity | Number of issued ordinary shares held | Approximate percentage of total issued shares as at 30 June 2018 |
|---|---|---|---|
| Mr. Hui Chi Kwan | Interest in a controlled corporation | 759,740,835 | 17.14% |
| Sino Ahead Holdings Limited | Beneficial owner | 759,740,835 | 17.14% |

*Notes:*

(1) The interest disclosed represents the corporate interest in 759,740,835 shares held by Sino Ahead Holdings Limited, which is wholly-owned by Mr. Hui Chi Kwan.

(2) All the interests disclosed above represent long position in the shares of the Company.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and Chief Executives' Interests on Short Positions in Shares, Underlying Shares on Debentures of the Company or Any Associated Corporation" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or Chief Executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## COMPETING INTEREST

As at 30 June 2018, none of the Directors or substantial shareholders of the Company has engaged in any business that competes or may compete with the business if the Group or has any other conflict of interests with the Group.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major customers and suppliers are as follows:

| | |
|---|---|
| **Purchases** | |
| – the largest supplier | 19% |
| – five largest suppliers combined | 61% |
| **Sales** | |
| – the largest customer | 26% |
| – five largest customers combined | 68% |

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

# REPORT OF THE DIRECTORS

## MAJOR EVENTS DURING THE YEAR UNDER REVIEW

### Capital Raising

On 16 May 2017, the Company entered into the underwriting agreement with the underwriter in respect of the Rights Issue of five rights shares for every two existing shares held on record date at HK$0.07 per rights share. The Rights Issue was completed on 10 August 2017. The net proceeds of the Rights Issue were amounted to approximately HK$218.36 million, after deducting the underwriting commission and other related expenses of approximately HK$3.33 million.

Pursuant to an ordinary resolution passed at a special general meeting of the Company on 6 July 2017, the shareholders of the Company have approved the increase in authorised share capital of the Company from HK$150,000,000 (divided into 3,000,000,000 shares of a par value of HK$0.05 per share) to HK$500,000,000 (divided into 10,000,000,000 shares of a par value of HK$0.05 per share) by the creation of an additional 7,000,000,000 unissued shares that rank pari passu with all existing shares.

On 10 August 2017, the Company issued and allotted 3,166,918,125 rights shares at a price of HK$0.07 per rights share on the basis of five rights shares for every two existing shares to subscribers for gross proceeds of HK$221,684,000. The difference of HK$60,013,000 between the net proceeds of HK$218,359,000 and the par value of shares issued of HK$158,346,000 has been credited to the share premium account of the Company. Details are set out in the announcements 16 May 2017, 7 July 2017, 9 August 2017 and circular dated 16 June 2017 and the prospectus dated 19 July 2017.

### Major Acquisitions and Disposals

*Acquisitions*

On 6 April 2016, the Company entered into a non-legally binding memorandum of understanding with an independent third party and paid the refundable deposit of HK$6,750,000 for the acquisition of a business, which is principally engaged in provision of transportation service in the Philippines. The Company further entered into a formal agreement for sale and purchase with the same independent third party to finalise this acquisition, this aforesaid acquisition was completed on 1 September 2017.

On 13 September 2016, the Group entered into a non-legally binding memorandum of understanding with an independent third party and paid the refundable deposit of HK$4,700,000 for the acquisition of a business, which is principally engaged in provision of financial marketing and event promotion. The Group further entered into a sale and purchase agreement with the same independent third party to acquire 40% equity interest in aforesaid business related to public relation services. This aforesaid acquisition was completed on 15 September 2017.

*Disposals*

On 31 October 2017, the Group and an independent third party entered into a sale and purchase agreement to dispose certain subsidiaries which were engaged in the provision of energy saving solutions and sale of energy saving products at an aggregate cash consideration of HK$1,200,000. Details are set out in the announcement dated 31 October 2017.

On 12 February 2018, the Group and an independent third party entered into a sale and purchase agreement to dispose available-for-sale financial assets which were engaged in the provision of transportation service in Philippines at an aggregate cash consideration of HK$7,000,000. Details are set out in the announcement dated 12 February 2018.

## MAJOR EVENTS AFTER THE YEAR UNDER REVIEW

### Capital Reorganisation

Pursuant to a special resolution passed at a special general meeting of the Company on 7 August 2018, every twenty issued and unissued shares of nominal value of HK$0.05 each in the share capital of the Company be consolidated into one issued share of nominal value of HK$1. Any fractional consolidated share in the issued share capital of the Company arising from the share consolidation shall be cancelled and the nominal value of all the issued consolidated shares shall be reduced from HK$1 each to HK$0.005 each and the issued share capital of the Company shall be reduced by HK$0.995 per consolidated share in issue. The amount standing to the credit of the share premium account of the Company be reduced to nil. Details are set out in the announcement dated 26 June 2018, 17 July 2018 and 7 August 2018 and circular dated 17 July 2018.

## CORPORATE GOVERNANCE CODE

A report on the principle corporate governance practices adopted by the Company is set out on page 18 of the Annual Report.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's total issued shares as required under the Listing Rules.

## AUDITORS

The financial statements were audited by Jonten Hopkins CPA Limited who retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

On behalf of the Board
**Chow Yik**
*Chairman*

Hong Kong, 28 September 2018

# CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in enhancing the shareholders' value.

## CORPORATE GOVERNANCE CODE

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 15 to the Rules ("GEM Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is in compliance with the CG Code contained in Appendix 15 of the GEM Listing Rules and the Code Provisions save for the deviation as explained below:

The Code provision A4.1 provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from the provision in that the Non-executive Directors and all Independent Non-executive Directors are not appointed for specific term. They are, however, subject to retirement by rotation and re-election. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company's shareholders and the retirement and the re-election requirements of Non-executive Directors and Independent Non-executive Directors have given the Company's shareholders the right to approve continuation of Independent Non-executive Directors' offices.

Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions set out in the CG code during the year ended 30 June 2018.

## COMPLIANCE WITH THE REQUIRED STANDARD FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on terms set out in the standard of dealings ("Standard Dealings") contained in Rule 5.48 to Rule 5.67 of the GEM Listing Rules regarding securities transactions by Directors. Upon specific enquiries by the Company, all Directors confirmed that they have fully complied with the Standard Dealings.

## BOARD COMPOSITION

The Company is headed by the Board which is responsible for directing and supervising the Company's affairs. As at the date of this report, the Board comprises three executive Directors and three independent non-executive Directors. Biographies of all the Directors and the relationships (if any) among them are set out on page 9 of this annual report.

The executive Directors are Mr. Chow Yik, Dr. Ma Jun, and Mr. Leung King Fai. The Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. Ng Chi Ho, Dennis, Ms. Chan Sin Wa, Carrie and Mr. Chung Shu Kun, Christopher are independent non-executive Directors.

The Company has arranged directors and officers liability and company reimbursement insurance for its directors and officers.

Functions and responsibilities reserved to the Board and the functions and responsibilities delegated to management are as follows:

The Board shall be responsible for:

- Approval of corporate and business strategies of the Company
- Approval of the annual budgets and financial reports of the Group
- Monitoring the operating and financial performance of the Group
- Declaration of dividend to the shareholders of the Company
- Approval of investment proposals of the Company
- Restructuring and spin off relating to the Group
- Overseeing the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance
- Corporate governance

The management shall be responsible for:

- Day to day operations of the Company and its subsidiaries as delegated by the Board to the management
- Formulation of corporate and business strategies to be approved by the Board
- Execution of corporate and business strategies approved by the Board
- Formulation of investment, acquisition, mergers or spin off proposals
- Execution of investment, acquisition, mergers or spin off proposals and approved by the Board

## BOARD DIVERSITY

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

## CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from each of the Independent non-executive directors in accordance with Rule 5.09 of the GEM Listing Rules. The Directors consider that all the Independent non-executive directors remain independent.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

| **Name of Director** | **Attending seminar(s)/ programme(s)/relevant materials in relation to the business or directors' duties** |
|---|---|
| *Executive Directors* | |
| Mr. Chow Yik | Yes |
| Dr. Ma Jun | Yes |
| Mr. Leung King Fai | Yes |
| *Independent non-executive directors* | |
| Mr. Ng Chi Ho, Dennis | Yes |
| Ms. Chan Sin Wa, Carrie | Yes |
| Mr. Chung Shu Kun, Christopher | Yes |

All the Directors also understand the important of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

## ATTENDANCE OF INDIVIDUAL DIRECTORS AT BOARD MEETINGS FOR THE YEAR ENDED 30 JUNE 2018

The Board met regularly on a quarterly basis. Apart from the regular Board meetings of the year, the Board also met on other occasions when a Board-level decision on a particular matter is required. During the year, the Board held five meetings for the discussion and approval of important matters such as the approval of quarterly results, interim results, annual results and dividends, etc. The attendance record of each Director during the year at Board meetings is as follows:

| **Name of Director** | **Number of Attendance Attended/Eligible to attend** |
|---|---|
| *Executive Directors* | |
| Mr. Chow Yik | 8/8 |
| Dr. Ma Jun | 8/8 |
| Mr. Leung King Fai | 8/8 |
| *Independent non-executive directors* | |
| Mr. Ng Chi Ho, Dennis | 8/8 |
| Ms. Chan Sin Wa, Carrie | 8/8 |
| Mr. Chung Shu Kun, Christopher | 8/8 |

Board minutes are kept by the secretary of the Company (the "Secretary") and are open for inspection by the directors of the Company. Every director of the company is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Secretary, and has the liberty to seek external professional advice if so required.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman shall be responsible for overseeing the operation of the Board, while the Chief Executive Officer shall oversee the business operations of the Company. The roles of the Chairman and Chief Executive Officer are set out in detail in the Bye-laws of the Company.

The Board is identifying suitable candidate to fill the vacancy of the Chief Executive Officer.

## REMUNERATION OF DIRECTORS

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the GEM Listing Rules. The terms of reference follows the requirement of Code Provision B.1.3. The Remuneration Committee currently comprises all the independent non-executive directors, namely, Mr. Ng Chi Ho, Dennis (as the Chairman), Ms. Chan Sin Wa, Carrie and Mr. Chung Shu Kun, Christopher.

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of all Directors and senior management. The Remuneration Committee is authorised to seek any information it requires from any employee of the Group and has the power to request the executive Directors and other persons to attend its meetings.

The Remuneration Committee is also authorised to obtain outside professional advice and to secure the attendance of other persons with relevant experience and expertise if it considers as necessary.

The work performed by the Remuneration Committee during the year ended 30 June 2018 included reviewing and approving the remuneration package of the Directors (including the three independent non-executive Directors) and the senior management of the Company. During the process of consideration, no individual Director will be involved in decisions relating to his/her own remuneration.

For the year ended 30 June 2018, the Remuneration Committee held 2 meetings for the discussion of matters concerning the determination of remuneration of the Directors. The individual attendance record of each member of the remuneration committee is as follows:

| **Name of Director** | **Number of Attendance Attended/Eligible to attend** |
|---|---|
| *Independent non-executive directors* | |
| Mr. Ng Chi Ho, Dennis | 2/2 |
| Ms. Chan Sin Wa, Carrie | 2/2 |
| Mr. Chung Shu Kun, Christopher | 2/2 |

# CORPORATE GOVERNANCE REPORT

## NOMINATION OF THE DIRECTORS

The Company established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee currently comprises all the independent non-executive directors, namely, Mr. Ng Chi Ho, Dennis, Ms. Chan Sin Wa, Carrie and Mr. Chung Shu Kun, Christopher. Mr. Ng Chi Ho, Dennis is the chairman of the Nomination Committee.

The major functions of the Nomination Committee are to review the structure and composition of the Board, to review and provide recommendations to the shareholders of the Company on the terms of Directors service contract, and to assess the independence of the independent non-executive Directors. The major criteria in relation to the selection and nomination of Directors include professional background, industry-related experience and recommendations from the management team and industry societies. The terms of reference of the Nomination Committee are on terms no less exacting than the provision A4.5 of the CG Code.

During the year 30 June 2017, Nomination Committee reviewed the existing composition of the Board and senior management.

The Nomination Committee held 2 meetings during the year ended 30 June 2018. The attendances of the meeting of the Nomination Committee are as follows:

| **Name of Director** | **Number of Attendance Attended/Eligible to attend** |
|---|---|
| *Independent non-executive directors* | |
| Mr. Ng Chi Ho, Dennis | 2/2 |
| Ms. Chan Sin Wa, Carrie | 2/2 |
| Mr. Chung Shu Kun, Christopher | 2/2 |

## ACCOUNTABILITY AND AUDIT

The Board acknowledged their responsibility for preparing the financial statements of the Group. The Directors ensured in preparing of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

## AUDITORS' REMUNERATION

For the year ended 30 June 2018, approximately HK$915,000 are payable to auditors of the Company for audit service.

## AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference aligned with the code provisions of the CG Code. The Audit Committee currently comprises all the independent non- executive Directors, namely, Mr. Ng Chi Ho, Dennis (as the chairman), Ms. Chan Sin Wa, Carrie and Mr. Chung Shu Kun, Christopher.

The main functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Group and to provide recommendations and advices to the Board on the appointment, reappointment and removal of external auditor as well as their terms of appointment. The terms of reference of Audit Committee are on terms no less exacting than the provision C.3.3 of the CG Code.

The following is a summary of the work performed by the Audit Committee during the year ended 30 June 2018:

– reviewing the auditor's management letter and management's response;

– reviewing and considering the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;

– reviewing the audited financial statements and final results announcement for the year ended 30 June 2017;

– reviewing the interim report and the interim results announcement for the six months ended 31 December 2017;

– reviewing the quarterly reports and the quarterly results announcement for the three months ended 30 September 2017 and nine months ended 31 March 2018, respectively; and

– meeting with the auditors to go through any significant audit issues or key findings noted during the audit of the Group's 2017 final results and before the commencement of the audit of the Group's 2018 final results.

All issues raised by the Audit Committee have been addressed by the management. The work and findings of the Audit Committee have been reported to the Board. During the year ended 30 June 2018, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

For the year ended 30 June 2018, the Audit Committee held a total of 4 meetings, at which it reviewed the external findings, the accounting principles and practice adopted by the Group, the listing, statutory compliance, and financial reporting matters including recommendations made to the Board to approve the quarterly, interim and annual results for the year. The individual attendance record of each member of the Audit Committee is as follows:

| Name of Director | Number of Attendance Attended/Eligible to attend |
|---|---|
| *Independent non-executive directors* | |
| Mr. Ng Chi Ho, Dennis | 4/4 |
| Ms. Chan Sin Wa, Carrie | 4/4 |
| Mr. Chung Shu Kun, Christopher | 4/4 |

## COMPANY SECRETARY

Mr. Leung King Fai ("Mr. Leung") is the Company Secretary of the Company. He is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance developments. Up to the date of this report, Mr. Leung has undertaken not less than 15 hours of relevant professional training.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to help achieve business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. The Division/Department Head of each core business segment is accountable for the conduct and performance of such segment within the agreed strategies, which are set by themselves and the Board together, and reports directly to the Board.

The relevant executive Directors and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments.

Throughout the year, the Company complied with the code provisions on internal controls as stipulated in the CG Code. In particular, during the year under review, the Board engaged an external consulting firm to perform internal control review on major business operations of the Group. The external consultants evaluated the internal control system and studied also risks and mitigation strategies. An internal control review report with the relevant findings and recommendations was prepared to the Board. Meanwhile, the risks identified during the review exercise together with the respective ratings, existing situations and mitigating plans were all documented in the risk register. Accordingly, the Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

Based on the report from external consultant, the Board, in conjunction with the Audit Committee, annually assessed and reviewed the effectiveness of the internal control systems and procedures and considered the adequacy of resources and financial reporting function. As such, the Group currently does not have an internal audit department. The Board will review and consider establishing such department as and when it thinks necessary.

## COMMUNICATION WITH SHAREHOLDERS

The Company actively promote effective communications with shareholders and investors. Shareholders are encouraged to attend the general meetings. The notice of AGM is distributed to all shareholders at least 21 clear days and not less than 20 clear business days prior to the AGM. Notices were sent to Shareholders at least 10 clear business days for all other general meetings. The Chairman of all general meetings conducts voting only after having confirmed with shareholders that they have no problem about the procedures of the voting by poll.

In line with the practice of the Company, in respect of each issue to be considered at the AGMs and special general meetings of the Company ("SGMs"), including the re-election of Directors, a separate resolution will be proposed by the chairman of the meeting.

In accordance with the code provision E.1.2 as set out in the CG Code, chairman of the Board have attended the AGM held during the year ended 30 June 2018. The Company's auditors have also attended the AGM during the year ended 30 June 2018.

The independent non-executive Directors, for the time when the general meetings were held during the year ended 30 June 2018, had other business engagements and thus, were not able to attend most general meetings held during the year ended 30 June 2018. In this regard, the compliance officer and Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future, for compliance of code provisions A.6.7 as set out in the CG Code.

Participation of individual Directors at general meetings during the year ended 30 June 2018 is as follows:

| | AGM | SGM |
|---|---|---|
| Number of meetings | 1 | 1 |
| *Executive directors:* | | |
| Mr. Chow Yik | 1/1 | 1/1 |
| Mr. Ma Jun | 0/1 | 0/1 |
| Mr. Leung King Fai | 1/1 | 1/1 |
| *Independent non-executive directors:* | | |
| Mr. Ng Chi Ho, Dennis | 1/1 | 1/1 |
| Ms. Chan Sin Wa, Carrie | 1/1 | 1/1 |
| Mr. Chung Shu Kun, Christopher | 0/1 | 0/1 |

Designated executive Director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any queries.

## INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

### Rights to convene special general meeting

In accordance with Company's Article 58, Shareholders holding at the date of deposit of the requisition of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them, may themselves convene the general meeting, but any meeting so convened shall not be held after the expiration of three months after the date of deposit of the requisition.

### Putting forward proposals at annual general meeting or special general meeting

The number of shareholders necessary for putting forward a proposal at the AGM or special general meeting shall be any number of shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request.

## VOTING BY POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all the resolutions set out in the notice of the forthcoming AGM of the Company will be voted by poll.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present its annual Environmental, Social and Governance Report ("ESG Report") to demonstrate its commitment to sustainable development. This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("the Guide") of the Stock Exchange, which covers two subject areas, Environmental and Social.

The Guide encourages an issuer to identify and disclose ESG information that is material and relevant to an issuer's business. During the self-assessment of the Company's business, the management has decided that out of the 11 ESG aspects suggested by the Guide, the below 6 ESG aspects are material to the Company:

| Main ESG subject area in the Guide | ESG aspects |
|---|---|
| Environmental A1. Emissions | A2. Use of resources |
| Social B3. Development and training | B6. Product responsibility |
| | B7. Anti-corruption |
| | B8. Community investment |

The reporting period of this ESG Report is from 1 July 2017 to 30 June 2018 (the "Reporting Period"). Unless otherwise specified, the reporting boundary of this ESG Report is the same as this annual report.

## A. ENVIRONMENTAL

### Emissions and Use of Resources

The Company's operation is mainly office-based and the Company is committed to minimising the impact of businesses on the environment through adopting eco-friendly measures at the office. For example, staff is encouraged to reduce paper consumption by double-sided printing and reusing papers printed on one side.

In terms of energy saving measures, there are a number of good practices at office as follows:

- Staff is reminded to switch off lights and air-conditioning in the meeting room and the computer at the workstation when it is not in use;
- The room temperature is maintained at 25 degrees Celsius in summer to save energy; and
- Conference calls instead of face-to-face meetings are arranged where possible.

The Company regularly assesses our environmental risks incurred from our operations, review our environmental practices and adopt necessary preventive measures to reduce risks and comply with relevant laws and regulations.

## B. SOCIAL

### 1. Employment and Labour Practices

***Employment policies***

The Group takes reference to the Employment Ordinance and other relevant laws in Hong Kong, together with the general practice and benchmark of the industry when preparing and enforcing a human resources management scheme. All employees are bound by the work guidelines and employment contracts made in accordance with this human resources management scheme. Relevant documents detailed the Group's employment policies, employees' welfare, rights and responsibilities, code of business ethics, workplace safety and health guidelines, in order to protect the respective rights of both parties.

***Equal opportunities***

As the employees of the Group are one of the key stakeholders, diversity and equal opportunity form part of our people strategy. Our employment practices support the building of an inclusive work environment free from discrimination such as gender, age, nationality, sexual orientation, family status, race or religion. Each employee has an equal job opportunity.

***Remuneration and benefits***

The Group established a comprehensive mechanism of remuneration, incentive and performance management, including basic salary, mandatory provident fund, insurance, legal and extra annual leave, sick leave, subsidies and other staff benefits and rights. To attract and retain talent for long-term and stable growth of the Group, we offer competitive remuneration package to employees and has built a performance incentive mechanism through granting share options to senior management, core and long-term employees.

***Employee communication***

We care about the interaction with our employees and their needs. We encourage our employees to communicate with their supervisors or department heads on their work conditions and career goals. During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

### 2. Health and Safety

***Workplace safety***

The Group attaches high importance to employees' health and wellbeing and is committed to building a healthy, safe and hygienic workplace for all employees and parties who may be affected by our operations and exercise. Maintaining a good health and safety level is our top priority in operating our business. The Group prepares a series of work safety and health guidelines with the industry nature, practices and regulations taken into consideration. We strictly monitor and enforce safety measures under the employee manual.

***Safety awareness***

To raise employees' awareness of occupational safety, the Group continued to provide relevant trainings and information to employees during the Reporting Period. We regularly join the fire drills organised by the office building and participate in safety seminars of external organisations. We ensure adequate fir-aid and fire equipment in the office. Annual body check, medical insurance and other benefits are covered in our permanent employees' benefit package for their health and safety.

***Physical and mental health***

Besides work safety, the Group recognises the importance of mental health of employees. We organise all sorts of activities to strengthen the bond and understanding among employees, strike a work-life balance and create a sense of belonging.

***Development and Training***

The Company supports its staff to develop and enhance their professional knowledge and skills to cope with the evolving market environment and compliance level. On top of on-the-job training, the staff is encouraged to take external professional training to strengthen their work-related expertise.

The Group constantly reviews and improves the format of trainings based on industry conditions, employees' feedback and other factors, with an aim to employee participation and efficiency of training.

***Anti-child and forced labour***

The Group's internal guidelines and labour system are made in strict adherence to the Employment Ordinance (Chapter 57 of Hong Kong Legislation) and international standard. All recruitment process and promotion activities are monitored under the Group's human resources management scheme. Codes of conducts are clearly explained in employment contracts and employment codes. Behaviour of all employees (including directors and other employees) is closely observed to prevent any law violations.

We prohibit the engagement of any child and forced labour in any of our operations, and forbid any type of forced labour by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. We promise not to hire any children whose ages are below the legal requirement by the local labour law. We maintain a close communication with our business partners to avoid cooperating with suppliers and business partners who engage child or forced labour. In case of any violation, the Group will promptly conduct investigation and take improvement measures.

During the Reporting Period, the Group did not have any issue of non-compliance of relevant laws and regulations relating to child labour or forced labour.

## 3. Operating Practices

***Product Responsibility***

The Company puts high priority in maintaining business integrity and corporate governance standards to promote the long-term best interests to all its shareholders and stakeholders.

***Quality service***

We stress the importance of service quality and corporate reputation, as we reinforce internal control to safeguarding product and service quality. We are dedicated to offering clients with best experience and ensuring our service safety and compliance with applicable laws. We also enter into service contract with clear terms and conditions to protect interests of both parties. We maintain and review our communication channels with clients, including assigning a designated officer for each client to gain clients' feedback, so that we can promptly respond to their complaints and improve our service system upon investigations on complaints and services.

***Privacy policy***

Our operations in insurance brokerage, asset management and money lending involve handling of private and sensitive information such as financial information of our clients. In light of this, the Group has adopted guidelines to advise employees on careful handling of clients' personal data and business record, in order to safeguard clients from losses.

***Anti-corruption***

The Company upholds high standards on promoting anti-corruption, with all its employees and directors are required to maintain a high level of business ethics. The Audit Committee has the overall responsibility for matters related to the internal controls of anti-corruption.

During the reporting period, the Company had no legal cases regarding corrupt practices brought against the Company or its employees.

***Whistle-blowing policy***

The Group regularly provides anti-corruption information to employees to heighten their awareness and promote professional conduct.

Employees can report any abuse of power, bribery and other illegal or dishonest acts of our clients, other employees and business partners through our anonymous whistle-blowing mechanism, while we promise to protect whistle-blowers' identity. Whenever corruption or fraud cases are spotted, we will immediately carry out inspection and report to management and law enforcement authorities. We will make rectifying measures upon review of each case.

During the Reporting Period, no corruption or fraudulent incident was discovered in the Group. The Group will review the implementation of respective systems periodically and devote more resources to improve the mechanism if necessary.

## 4. Community

The Company is fully aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this aspect, the Company would explore the possibility to identify suitable partners and support community and environmental programmes that align with the Company's missions and values.

The Company believes the best way to serve the community is to drive positive impact through our investment portfolio. To create shared values with the community and stakeholders, the Company will continue to consider ESG factors in selecting future investment projects.

## 5. Data Highlights

| | | | 2018 | 2017 |
|---|---|---|---|---|
| **Environment** | **Electricity consumption** | kWh | **99,982** | 116,774 |
| | **Paper consumption** | Tonnes | **0.288** | 0.288 |
| **Employee** | **Total employee** | No. of people | **46** | 48 |
| | **By gender** | | | |
| | **– Male** | | **22** | 23 |
| | **– Female** | | **24** | 25 |
| | **By rank** | % | | |
| | **– Executives** | | **19** | 17 |
| | **– Others** | | **27** | 31 |
| | **By age** | % | | |
| | **– Below 30** | | **5** | 11 |
| | **– 30–50** | | **38** | 34 |
| | **– Above 50** | | **3** | 3 |

## C. HONG KONG STOCK EXCHANGE ESG GUIDE REFERENCE

| Hong Kong Stock Exchange ESG Subject Areas | ESG Aspects | Disclosure Reference |
|---|---|---|
| A. Environmental | A1. Emissions | Refer to the "Environmental" section of this ESG Report. |
| | A2. Use of resources | Refer to the "Environmental" section of this ESG Report. |
| | A3. The environment and natural resources | The office-based nature of the Company's operations are not considered to have significant impact on environment and natural resources. |
| B. Social Employment and labour practices | B1. Employment | All matters related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare complied with the Employment Ordinance by the Labour Department. |
| | B2. Health and safety | The office-based operation of the Company is not considered to have significant occupational hazards. The Company has complied with all the major relevant laws and regulations such as Occupational Safety And Health Ordinance by the Labour Department. |
| | B3. Development and training | Refer to "Social" section of this ESG Report. |
| | B4. Labour standards | Child labour and forced labour are prohibited in the Company. |
| Operating practices | B5. Supply chain management | The office-based operation of the Company is not considered to have a significant environmental and social risks of the supply chain. |
| | B6. Product responsibility | Refer to the "Social" section of this ESG Report. |
| | B7. Anti-corruption | Refer to the "Social" section of this ESG Report. |
| Community | B8. Community investment | Refer to the "Social" section of this ESG Report. |

**Jonten Hopkins CPA Limited**
中天運浩勤會計師事務所有限公司

**Independent Auditor's Report to the Members of:**
**Kirin Group Holdings Limited**
(Incorporated in Bermuda with limited liability)

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Kirin Group Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 36 to 119, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

– Impairment assessment of loan and interest receivables; and

– Impairment assessment of goodwill

| *Key Audit Matter* | *How our Audit Addressed the Key Audit Matter* |
|---|---|
| *Impairment assessment of loan and interest receivables* | |
| Refer to Note 4 (Critical accounting judgements and key sources of estimation uncertainty), Note 24 (Loan receivables) and Note 26 (Interest receivables) to the consolidated financial statements.<br><br>As at 30 June 2018, the Group's net carrying amount of loan and interest receivables amounted to approximately HK$282,554,000 and HK$15,548,000 respectively. Provision for impairment of loan and interest receivables amounted to approximately HK$8,663,000.<br><br>Management assessed the provision for impairment of loan and interest receivables based on an estimate of the recoverability of these receivables. Provisions for impairment are applied to loan and interest receivables where events or changes in circumstances indicate that the balances may not be collectible.<br><br>We focused on this area because the carrying value of loan and interest receivables is significant to the consolidated financial statements and the management's impairment assessment of loan and interest receivables require the use of significant judgement and estimation. | Our audit procedures in relation to the management's impairment assessment of loan and interest receivables included:<br><br>Understanding, evaluating and validating the internal controls over impairment assessment of loan and interest receivables that relate to management's identification of events that triggered the provision for impairment of loan and interest receivables and estimation of the amount of provisions;<br><br>Carrying out procedures, on a sample basis, to test the accuracy of the aging of loan and interest receivables as at the end of the reporting period;<br><br>Reviewing management's assessment on the adequacy of provision for individual impairment based on borrower's ability to repay the outstanding loan and interest receivables; and<br><br>Examining, on a sample basis, a number of individual significant borrowers which were not identified by management as potentially impaired and performing audit procedures to assess the recoverability based on examination of the borrower's repayment records. |

*Impairment Assessment of Goodwill*

Refer to Note 4 (Critical accounting judgements and key sources of estimation uncertainty), and Note 17 (Goodwill) to the consolidated financial statements.

As at 30 June 2018, the Group's reported goodwill amounted to approximately HK$2,842,000, net of accumulated impairment losses of approximately HK$36,414,000.

Impairment of goodwill is assessed by management by comparing the recoverable amount and carrying amount of the relevant cash generating units at the end of the reporting period. Significant judgement and assumptions were required by management of the Group in assessing the recoverable amounts of those cash generating units. The recoverable amounts are determined with reference to the value in use of the relevant cash generating units, which required significant assumptions on discount rates and growth rates in order to derive the net present value of the discounted future cash flow analysis.

We identified this area as a key audit matter as the carrying value of goodwill is significant to the consolidated financial statements and the management's impairment assessment of goodwill require the use of significant judgement and estimation.

Our audit procedures in relation to the management's impairment assessment of goodwill included:

Understanding the Group's key controls over the impairment assessment on goodwill;

Obtaining the discounted future cash flow analysis approved by the management and checking its mathematical accuracy;

Evaluating the reasonableness of the key assumptions adopted by the management, including discount rates and growth rates;

Testing the accuracy and evaluating the relevance of key inputs adopted in the discounted future cash flow model against historical performance of the Group, including revenues, costs of services and operating expenses, and with reference to the future strategic plans of the Group in respect of the cash generating units; and

Reviewing the sensitivity analysis performed by management on growth rates and discount rates to evaluate the potential impact on the recoverable amount and impairment.

## Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Lo Shung Chi.

**Jonten Hopkins CPA Limited**
*Certified Public Accountants*
**Lo Shung Chi**
Practising certificate number: P06688

Hong Kong
28 September 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

| | Notes | 2018<br>HK$'000 | 2017<br>HK$'000<br>(Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 5 | **74,879** | 79,562 |
| Cost of sales and services | | **(41,450)** | (54,357) |
| Other income | 6 | **38** | 443 |
| Distribution costs | | **(10,672)** | (26,965) |
| Administrative expenses | | **(69,116)** | (53,916) |
| Impairment loss on deposit paid | 40 | **(903)** | – |
| Impairment loss on goodwill | 17 | **(24,963)** | – |
| Impairment loss on loan receivables | 24 | **–** | (6,500) |
| Impairment loss on property, plant and equipment | 15 | **(3,012)** | – |
| Impairment loss on trade and other receivables | 26 | **(956)** | – |
| Net realised loss on disposal of financial assets at fair value through profit or loss | | **(1)** | (4,072) |
| Share of profit of an associate | 21 | **2,073** | – |
| Finance costs | 7 | **(30,956)** | (23,869) |
| Loss before taxation from continuing operations | 8 | **(105,039)** | (89,674) |
| Taxation | 9 | **(734)** | (789) |
| **Loss for the year from continuing operations** | | **(105,773)** | (90,463) |
| **Discontinued operations** | | | |
| Profit/(Loss) for the year from discontinued operations | 10 | **23,967** | (11,073) |
| **Loss for the year** | | **(81,806)** | (101,536) |
| **Other comprehensive (expense)/income** | | | |
| Items that may be reclassified subsequently to profit or loss: | 12 | | |
| Exchange difference arising from translation of financial statements of foreign operations | | **(626)** | 1,326 |
| Release of translation reserve upon disposal of subsidiaries | 10 | **(8,703)** | – |
| Other comprehensive (expense)/income for the year | | **(9,329)** | 1,326 |
| **Total comprehensive expense for the year** | | **(91,135)** | (100,210) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

| | Note | 2018<br>*HK$'000* | 2017<br>*HK$'000*<br>(Restated) |
|---|---|---|---|
| **Loss for the year attributable to:** | | | |
| – Equity shareholders of the Company | | **(78,249)** | (100,198) |
| – Non-controlling interests | | **(3,557)** | (1,338) |
| | | **(81,806)** | (101,536) |
| **Total comprehensive (expense)/income for the year attributable to:** | | | |
| – Equity shareholders of the Company | | | |
| – continuing operations | | **(102,722)** | (87,799) |
| – discontinued operations | | **15,264** | (11,073) |
| | | **(87,458)** | (98,872) |
| – Non-controlling interests | | | |
| – continuing operations | | **(3,677)** | (1,338) |
| | | **(91,135)** | (100,210) |
| **Loss per share** | *14* | | |
| From continuing and discontinued operations | | | |
| Basic and diluted | | **(38.24) cents** | (152.09) cents |
| From continuing operations | | | |
| Basic and diluted | | **(49.95) cents** | (135.28) cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

| | Notes | 30 June 2018<br>HK$'000 | 30 June 2017<br>HK$'000<br>(Restated) | 1 July 2016<br>HK$'000<br>(Restated) |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 15 | **4,994** | 10,348 | 3,960 |
| Prepaid lease payment | 16 | **2,556** | 2,599 | 2,755 |
| Goodwill | 17 | **2,842** | 27,805 | 23,548 |
| Intangible asset | 18 | **3,420** | 4,940 | 6,460 |
| Deposits paid for acquisition of investments | 19 | **–** | 11,450 | 10,270 |
| Deposits paid for property, plant and equipment | | **–** | 5,050 | 13,850 |
| Deposits paid for livestocks | | **–** | – | 5,582 |
| Deposits paid for rental | | **1,119** | – | – |
| Interest in an associate | 21 | **6,773** | – | – |
| Interest in a joint venture | 22 | **–** | – | – |
| Available-for-sale financial asset | 23 | **–** | – | – |
| | | **21,704** | 62,192 | 66,425 |
| **CURRENT ASSETS** | | | | |
| Prepaid lease payment | 16 | **119** | 115 | 117 |
| Deposits paid for livestocks | 20 | **2,657** | 5,582 | – |
| Loan receivables | 24 | **282,554** | 141,033 | 65,070 |
| Consideration receivables | 25 | **7,000** | – | 19,501 |
| Trade and other receivables | 26 | **33,697** | 52,237 | 52,654 |
| Fair value on contingent consideration | | **–** | – | 7,350 |
| Cash and bank balances | 27 | **10,436** | 22,091 | 18,605 |
| Total current assets | | **336,463** | 221,058 | 163,297 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 28 | **38,199** | 45,660 | 36,657 |
| Borrowings | 29 | **–** | 5,000 | – |
| Obligations under finance leases | 30 | **437** | 501 | 388 |
| Promissory notes | 31 | **3,170** | 40,000 | 5,312 |
| Corporate bonds | 32 | **140,733** | 105,543 | 40,116 |
| Current tax payable | | **2,287** | 1,768 | 928 |
| Total current liabilities | | **184,826** | 198,472 | 83,401 |
| **NET CURRENT ASSETS** | | **151,637** | 22,586 | 79,896 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **173,341** | 84,778 | 146,321 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

| | Notes | 30 June 2018 HK$'000 | 30 June 2017 HK$'000 (Restated) | 1 July 2016 HK$'000 (Restated) |
|---|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | | |
| Obligations under finance leases | 30 | **15** | 311 | 545 |
| Corporate bonds | 32 | **24,049** | 62,338 | 23,309 |
| Deferred tax liability | 33 | **171** | 247 | 323 |
| | | **24,235** | 62,896 | 24,177 |
| **NET ASSETS** | | **149,106** | 21,882 | 122,144 |
| **EQUITY** | | | | |
| **Capital and reserves attributable to equity shareholders of the Company** | | | | |
| Share capital | 34 | **221,684** | 63,338 | 63,338 |
| Reserves | | **(69,572)** | (42,127) | 56,715 |
| | | **152,112** | 21,211 | 120,053 |
| Non-controlling interests | | **(3,006)** | 671 | 2,091 |
| **TOTAL EQUITY** | | **149,106** | 21,882 | 122,144 |

The consolidated financial statements on pages 36 to 119 were approved and authorised for issue by the Board of directors on 28 September 2018 and are signed on its behalf by:

**Chow Yik**
*Chairman*

**Leung King Fai**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

| | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Translation reserve | Other Reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2016 (Restated) | 63,338 | 253,563 | 8,102 | – | (204,950) | 120,053 | 2,091 | 122,144 |
| Loss for the year (Restated) | – | – | – | – | (100,198) | (100,198) | (1,338) | (101,536) |
| Exchange difference arising from translation of financial statements of foreign operations (Restated) | – | – | 1,326 | – | – | 1,326 | – | 1,326 |
| Total comprehensive income/(expense) for the year (Restated) | – | – | 1,326 | – | (100,198) | (98,872) | (1,338) | (100,210) |
| Acquisition of subsidiaries *(note 37)* (Restated) | – | – | – | – | – | – | 17 | 17 |
| Acquisition from non-controlling interests *(note 38)* (Restated) | – | – | – | 33 | – | 33 | (483) | (450) |
| Capital contribution from non-controlling interests (Restated) | – | – | – | (3) | – | (3) | 384 | 381 |
| At 30 June 2017 (Restated) | 63,338 | 253,563 | 9,428 | 30 | (305,148) | 21,211 | 671 | 21,882 |
| Loss for the year | – | – | – | – | (78,249) | (78,249) | (3,557) | (81,806) |
| Exchange difference arising from translation of financial statements of foreign operations | – | – | (506) | – | – | (506) | (120) | (626) |
| Release of translation reserve upon disposal of subsidiaries | – | – | (8,703) | – | – | (8,703) | – | (8,703) |
| Total comprehensive expense for the year | – | – | (9,209) | – | (78,249) | (87,458) | (3,677) | (91,135) |
| Issue of shares from rights issue *(note 34(b))* | 158,346 | 60,013 | – | – | – | 218,359 | – | 218,359 |
| At 30 June 2018 | 221,684 | 313,576 | 219 | 30 | (383,397) | 152,112 | (3,006) | 149,106 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

| | Notes | 2018 HK$'000 | 2017 HK$'000 (Restated) |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/Profit before taxation | | | |
| – From continuing operations | | **(105,039)** | (89,674) |
| – From discontinued operations | | **23,967** | (11,073) |
| Adjustments for: | | | |
| Interest income | | **–** | (2) |
| Reversal of impairment loss on trade receivables | *26* | **–** | (5,022) |
| Finance costs | *7* | **30,956** | 23,869 |
| Depreciation | *15* | **4,201** | 3,579 |
| Amortisation of intangible asset | *18* | **1,520** | 1,520 |
| Amortisation of prepaid lease payment | *16* | **121** | 116 |
| Net realised loss on disposal of financial assets at fair value through profit or loss | | **1** | 4,072 |
| Gain on disposal of subsidiaries | *39* | **(23,132)** | – |
| Share of result of an associate | *21* | **(2,073)** | – |
| Impairment loss on property, plant and equipment | *15* | **3,012** | – |
| Impairment loss on deposit paid | *40* | **903** | – |
| Impairment loss on goodwill | *17* | **24,963** | – |
| Impairment loss on loan receivables | *24* | **–** | 6,500 |
| Impairment loss on trade and other receivables | *26* | **956** | 12,001 |
| **Operating cash flows before changes in working capital** | | **(39,644)** | (54,114) |
| Decrease/(Increase) in trade and other receivables | | **5,472** | (6,497) |
| Increase in loan receivables | | **(141,521)** | (82,463) |
| Decrease in consideration receivables | | **–** | 19,501 |
| Increase in trade and other payables | | **12,675** | 2,871 |
| **Cash used in operations** | | **(163,018)** | (120,702) |
| Tax paid | | **(247)** | (25) |
| **Net cash used in operating activities** | | **(163,265)** | (120,727) |
| **Investing activities** | | | |
| Proceeds from disposals of financial assets at fair value through profit or loss | | **28** | 10,973 |
| Purchase of financial assets at fair value through profit or loss | | **(29)** | (15,045) |
| Net deposits paid for acquisition of investments | *19* | **–** | (4,700) |
| Purchase of property, plant and equipment | *48* | **(1,658)** | (689) |
| Interest received | | **–** | 2 |
| Proceeds from profit guarantee compensation | | **–** | 7,350 |
| Net cash outflow from disposal of subsidiaries | *39(a)* | **(774)** | – |
| Net cash outflow on acquisition of subsidiaries | *37* | **–** | (665) |
| **Net cash used in investing activities** | | **(2,433)** | (2,774) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

| | Notes | 2018 HK$'000 | 2017 HK$'000 (Restated) |
|---|---|---|---|
| **Financing activities** | | | |
| Inception of borrowings | | **39,000** | 20,500 |
| Repayment of borrowings | | **(44,000)** | (15,500) |
| Repayment of finance leases | | **(644)** | (537) |
| Interest paid | | **(13,627)** | (9,241) |
| Proceeds from issue of shares | *34(b)* | **221,684** | – |
| Shares issue expenses | *34(b)* | **(3,325)** | – |
| Proceeds from issue of promissory notes | *31* | **–** | 40,000 |
| Repayment of promissory notes | | **(26,500)** | (5,000) |
| Proceeds from issue of corporate bonds | *32* | **96,913** | 159,543 |
| Expense on issue of corporate bonds | *32* | **(11,715)** | (18,946) |
| Repayment of corporate bonds | *32* | **(103,062)** | (45,069) |
| Acquisition from non-controlling interests | | **–** | (450) |
| Capital contribution from non-controlling interests of subsidiaries | | **–** | 381 |
| **Net cash generated from financing activities** | | **154,724** | 125,681 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(10,974)** | 2,180 |
| Effect of change in foreign exchange rate | | **(681)** | 1,306 |
| **Cash and cash equivalents at the beginning of the year** | | **22,091** | 18,605 |
| **Cash and cash equivalents at the end of the year** | | **10,436** | 22,091 |
| **Analysis of balances of cash and cash equivalents** | | | |
| Cash and bank balances as stated in the consolidated statement of financial position | | **10,436** | 22,091 |

## 1. GENERAL INFORMATION

Kirin Group Holdings Limited (the "Company") is a public limited company domiciled and incorporated in Bermuda and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is 23/F., Sang Woo Building, No. 227–228 Gloucester Road, Wan Chai, Hong Kong. The principal activities of its subsidiaries are set out in note 50.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### Application of new and revised HKFRSs

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

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014–2016 Cycle |

### Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 44. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (*continued*)

### New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards, interpretations and amendments that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[3] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[2] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 Revenue from Contracts with Customers[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014 – 2016 Cycle[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015 – 2017 Cycle[2] |
| HK(IFRIC) – Interpretation 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC) – Interpretation 23 | Uncertainty over Income Tax Treatments[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date to be determined

### HKFRS 9 *"Financial Instruments"*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (*continued*)

### HKFRS 9 *"Financial Instruments"* (*continued*)

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

The directors have reviewed the Group's financial assets as at 30 June 2018 and anticipated that application of the expected credit loss model of HKFRS 9 in the future will result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The above assessments were made based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 July 2018 as the Group does not intend to early apply the standard. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### HKFRS 15 *"Revenue from Contracts with Customers"*

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (*continued*)

### HKFRS 15 *"Revenue from Contracts with Customers"* (*continued*)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, 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 particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

By considering the nature of operations of the Group, the directors anticipate that the application of HKFRS 15 in the future may not have a material impact on the amounts reported, though more disclosures may be made in the Group's consolidated financial statements.

### HKFRS 16 *"Leases"*

HKFRS 16 was issued and is effective for annual periods beginning on or after 1 January 2019. HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs.

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

The directors of the Company anticipate that the application of the new accounting model of HKFRS 16 is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in note 41 to these consolidated financial statements, at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to approximately HK$8,124,000. Some of these amounts may need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs and interpretations will have no material impact on the consolidated financial statements in the forseeable future.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

### Basis of preparation

For the year ended 30 June 2018, the Group reported a net loss attributable to the equity shareholders of the Company of approximately HK$78,249,000 and had a net operating cash outflow of approximately HK$163,265,000. Major financing liabilities, arising mainly from corporate bonds and promissory notes, amounted to approximately HK$167,952,000, of which an amount of approximately HK$143,903,000 were classified as current liabilities, while cash and cash equivalents amounted to approximately HK$10,436,000 only. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

As the total current assets amounted to approximately HK$336,463,000, which were in excess of the total current liabilities of approximately HK$184,826,000 by HK$151,637,000, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when fall due within twelve months from 30 June 2018. Accordingly, the directors are of opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. These consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

The consolidated financial statements have been prepared under the historical cost convention.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Basis of preparation (*continued*)

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

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

The significant accounting policies are set out below.

### Change in presentation currency

The presentation currency of the consolidated financial statements in prior financial years was Renminbi ("RMB"). During the year, the Group has changed its presentation currency for the preparation of its consolidated financial statements from RMB to Hong Kong dollars ("HK$") in order to allow for greater transparency of the underlying performance of the Group as the principal operations of the Group are conducted in Hong Kong with substantially all of its transactions denominated and settled in HK$. The directors of the Company consider that it is more appropriate to use HK$ as the presentation currency in presenting the operating results and financial positions of the Group.

The change of presentation currency has been accounted for in accordance with HKAS 21 ***"The Effects of Changes in Foreign Exchange Rates "*** and such change has been applied retrospectively in accordance with HKAS 8 ***"Accounting Policies, Changes in Accounting Estimates and Errors"***.

The following methodology was used to re-present the comparative figures as at 1 July 2016 and 30 June 2017 and for the year ended 30 June 2017, originally reported in RMB, in HK$:

- Income and expenditure were translated at the average rates of exchange prevailing for the relevant period;
- Assets and liabilities were translated at the closing rates of exchange at the end of the relevant period;
- Share capital and other reserves were translated at the applicable historical rates; and
- All resulting exchange differences were recognised in other comprehensive income.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Basis of consolidation

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

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

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

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

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

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

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group losses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Basis of consolidation *(continued)*

#### *Business combinations*

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Basis of consolidation *(continued)*

***Business combinations (continued)***

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold improvements | Over the shorter of useful lives or lease terms |
| Furniture and fixtures | 2–5 years |
| Motor vehicles | 4–5 years |
| Plant and machinery | 3–10 years |
| Piggeries | 10 years |

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The construction in progress is not depreciated until it is put into commercial use and accordingly is stated at cost.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. If not, the expenditure is treated as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

### Intangible assets

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

### Associates and joint ventures

An associate is an entity in which the Group has a significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Associates and joint ventures *(continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

### Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

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

*Effective interest method*

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

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, consideration receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period subsequent to initial recognition (see accounting policy on impairment of financial assets below).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**Financial instruments *(continued)***

***Financial assets (continued)***

*Financial assets at FVTPL*

Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in Note 45(C) to the consolidated financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**Financial instruments *(continued)***

***Financial assets (continued)***

*Impairment of financial assets*

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loan receivables, the total allowance for impairment losses arises from individual impairment allowances.

The Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. The individual impairment allowance is based upon management's best estimate of the present value of cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgement about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its merits.

Where there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**Financial instruments *(continued)***

***Financial assets (continued)***

*Impairment of financial assets (continued)*

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

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

***Financial liabilities and equity instruments***

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

*Equity instruments*

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

*Financial liabilities*

Financial liabilities (including trade and other payables, borrowings, corporate bonds, promissory notes and obligations under finance leases) are subsequently measured at amortised cost using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised by applying an effective interest rate, except for short-term payables where the recognition of interest would be immaterial.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Financial instruments *(continued)*

***Derecognition***

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

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

Financial liabilities are derecognised when the obligations specified in the relevant contract are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Cash and cash equivalents

Cash and bank balances in the consolidated statement of financial position comprise cash at banks and on hand with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances.

### Taxation

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Taxation *(continued)*

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

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

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable income in those years. The estimate of future taxable income includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

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

Current and deferred taxation are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred taxation are also recognised in other comprehensive income or directly in equity respectively.

### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Foreign currencies *(continued)*

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

### Retirement benefits scheme

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund ("MPF") Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### Share-based payment transactions

***Equity-settled share-based payment transactions***

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes and includes the following items:

(a) Service fee income and commission income are recognised when services are rendered.

(b) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(c) Revenue from sale of livestocks is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the livestocks are delivered to customers and title has been passed.

(d) Revenue from sale of products in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Borrowing costs

Borrowing costs directly attributable to the acquisition or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Leasing

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

***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

***Leasehold land for own use***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payment” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Related parties

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

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

    (2) has significant influence over the Group; or

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Related parties *(continued)*

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

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

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

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

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

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

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

### Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-makers which are detailed in note 5 to these consolidated financial statements.

### Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### 4.1 Critical judgement in applying accounting policies

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

***(i) Acquisitions of subsidiaries***

During the years ended 30 June 2018 and 2017, the Group acquired various subsidiaries for expanding its business. In determining whether each acquisition represents a business combination, the directors of the Company have exercised their judgement when applying HKFRS 3 "Business Combinations" to consider if the acquired group under each acquisition constitutes a business or an asset. The directors apply a decision-making framework by (1) identifying the elements (comprising inputs, processes and outputs) in the acquired group; (2) assessing the capability of the acquired group to produce outputs; and (3) assessing the capability of a market participant to produce outputs if missing elements exist. The determination of whether the transaction is an asset acquisition or business combination depends on the results of the decision-making framework and this involves critical judgement exerted by the directors of the Company.

***(ii) Current and deferred income taxes***

Significant judgement is required in determining the provision for the income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (*continued*)

### 4.2 Key sources of estimate uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***(i) Estimated impairment of goodwill***

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3. Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of the value in use and fair value less costs of disposal of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise.

***(ii) Estimated impairment loss on loan receivables and trade and other receivables***

The Group performs ongoing credit evaluations of its debtors and adjusts credit limits based on payment history and the debtor's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its debtors and maintains a provision for impairment loss upon its historical experience and any specific debtors collection issues that it has been identified. The Group will continue to monitor the collections from debtors and maintain an appropriate level of estimated impairment.

***(iii) Estimated impairment loss on intangible asset (other than goodwill)***

The Group evaluates whether item of intangible asset has suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates.

***(iv) Estimated impairment loss on interest in an associate***

In determining whether the Group's interest in an associate is impaired requires an estimation of the recoverable amount. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### 4.2 Key sources of estimate uncertainty *(continued)*

***(v) Estimated impairment loss on property, plant and equipment***

The Group evaluates whether item of property, plant and equipment has suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy, The recoverable amounts of items of property, plant and equipment have been determined based on value in use calculations, Judgement is required to determine key assumptions and estimates adopted in the value in use calculations and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment review.

***(vi) Property, plant and equipment and depreciation***

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

## 5. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. The Group is principally engaged in insurance brokerage service, asset management and securities brokerage service, money lending service, information technology service and sales of livestocks.

Specifically, the Group's reportable segments same as operating under HKFRS 8 "Operating Segments" are as follows:

(a) Insurance brokerage and related service;

(b) Asset management and securities brokerage service;

(c) Money lending service;

(d) Information technology service; and

(e) Sales of livestocks

During the year ended 30 June 2018, the operation of energy saving service and related products was discontinued upon the disposal of subsidiaries, Easy Union Holdings Limited ("Easy Union") and Huntop Trading Limited ("Huntop"). The segment information reported on the next pages does not include any amounts for the said discontinued operation, which is described in further details under Note 10 to these consolidated financial statements.

## 5. REVENUE AND SEGMENT INFORMATION (*continued*)

### Segment revenue and results

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

The segment results for the year ended 30 June 2018 are as follows:

| | Insurance brokerage and related service | Money lending service | Information technology service | Asset management and securities brokerage service | Sale of livestocks | Consolidated |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| REVENUE | | | | | | |
| Revenue from external customers | 47,862 | 17,855 | 8,954 | – | 208 | 74,879 |
| Inter-segment revenue | 15,386 | – | – | – | – | 15,386 |
| Reportable segment revenue | 63,248 | 17,855 | 8,954 | – | 208 | 90,265 |

Inter-segment revenue is charged at prevailing market rates and are eliminated on consolidation. Revenue from external customers is measured in the same way as in the consolidated statement of profit or loss and other comprehensive income.

| | Insurance brokerage and related service | Money lending service | Information technology service | Asset management and securities brokerage service | Sale of livestocks | Consolidated |
|---|---|---|---|---|---|---|
| RESULTS | | | | | | |
| Segment results | (19,071) | 17,388 | (18,107) | (4,575) | (605) | (24,970) |
| Unallocated corporate expenses | | | | | | (51,185) |
| Net realised loss on disposal of financial assets at fair value through profit or loss | | | | | | (1) |
| Share of result of an associate | | | | | | 2,073 |
| Finance costs | | | | | | (30,956) |
| Loss before taxation | | | | | | (105,039) |

## 5. REVENUE AND SEGMENT INFORMATION (*continued*)

### Segment revenue and results *(continued)*

The segment results for the year ended 30 June 2017 are as follows:

| | Insurance brokerage and related service | Money lending service | Information technology service | Asset management and securities brokerage service | Sale of livestocks | Consolidated |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Restated) | (Restated) | (Restated) | (Restated) | (Restated) | (Restated) |
| REVENUE | | | | | | |
| Revenue from external customers | 59,220 | 12,722 | 7,620 | – | – | 79,562 |
| Inter-segment revenue | 21,706 | – | – | – | – | 21,706 |
| Reportable segment revenue | 80,926 | 12,722 | 7,620 | – | – | 101,268 |

Inter-segment revenue is charged at prevailing market rates and are eliminated on consolidation. Revenue from external customers is measured in the same way as in the consolidated statement of profit or loss and other comprehensive income.

| | | | | | | |
|---|---|---|---|---|---|---|
| RESULTS | | | | | | |
| Segment results | (10,501) | 5,345 | 1,964 | (3,771) | (182) | (7,145) |
| Unallocated corporate expenses | | | | | | (54,588) |
| Net realised loss on disposal of financial assets at fair value through profit or loss | | | | | | (4,072) |
| Finance costs | | | | | | (23,869) |
| Loss before taxation | | | | | | (89,674) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of certain administration costs including other income, directors' emoluments, share of result of an associate, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

## 5. REVENUE AND SEGMENT INFORMATION (*continued*)

### Segment assets and liabilities

The segment assets and liabilities as at 30 June 2018 are as follows:

| | Insurance brokerage and related service<br>*HK$'000* | Money lending service<br>*HK$'000* | Information technology service<br>*HK$'000* | Asset management and securities brokerage service<br>*HK$'000* | Sales of livestock<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Segment assets | 5,948 | 300,968 | 13,539 | 19 | 12,832 | 333,306 |
| Unallocated corporate assets | | | | | | 24,861 |
| Consolidated total assets | | | | | | 358,167 |
| LIABILITIES | | | | | | |
| Segment liabilities | 19,218 | 1,057 | 3,089 | 73 | 788 | 24,225 |
| Unallocated corporate liabilities | | | | | | 184,836 |
| Consolidated total liabilities | | | | | | 209,061 |
| OTHER INFORMATION | | | | | | |
| Capital additions | 2,295 | – | – | – | – | 2,295 |
| Depreciation and amortisation | 2,337 | 13 | 3,371 | – | 121 | 5,842 |
| Impairment loss on property, plant and equipment | 3,012 | – | – | – | – | 3,012 |
| Impairment loss on deposit paid | 903 | – | – | – | – | 903 |
| Impairment loss on goodwill | – | – | 20,705 | 4,258 | – | 24,963 |

## 5. REVENUE AND SEGMENT INFORMATION (*continued*)

### Segment assets and liabilities *(continued)*

The segment assets and liabilities as at 30 June 2017 are as follows:

| | Energy saving services and related products | Insurance brokerage and related service | Money lending service | Information technology service | Asset management and securities brokerage service | Sales of livestock | Consolidated |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Restated) | (Restated) | (Restated) | (Restated) | (Restated) | (Restated) | (Restated) |
| ASSETS | | | | | | | |
| Segment assets | 5,304 | 9,917 | 153,304 | 36,028 | 4,269 | 23,369 | 232,191 |
| Unallocated corporate assets | | | | | | | 51,059 |
| Consolidated total assets | | | | | | | 283,250 |
| LIABILITIES | | | | | | | |
| Segment liabilities | 19,022 | 3,658 | 1,110 | 2,095 | 1 | 939 | 26,825 |
| Unallocated corporate liabilities | | | | | | | 234,543 |
| Consolidated total liabilities | | | | | | | 261,368 |
| OTHER INFORMATION | | | | | | | |
| Capital additions | 3 | 1,081 | 21 | – | – | – | 1,105 |
| Depreciation and amortisation | 4 | 2,069 | 15 | 3,011 | – | 116 | 5,215 |

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

– all assets are allocated to operating segments other than interest in a joint venture, interest in an associate, consideration receivables, certain other receivables, deposits paid for acquisition of investments and bank balances and cash as these assets are managed on a group basis.

– all liabilities are allocated to operating segments other than certain other payables, promissory notes, obligations under finance leases, current tax payables, corporate bonds and deferred tax liability as these liabilities are managed on a group basis.

## 5. REVENUE AND SEGMENT INFORMATION (*continued*)

### Geographical information

The Group operates in three principal geographical areas – The People's Republic of China (excluding Hong Kong) ("PRC"), Hong Kong and the Philippines.

The Group's revenue from external customers is presented by the location of operations and information about the Group's non-current assets by location of assets are detailed below:

| | Revenue from external customers | | Specified non-current assets | |
|---|---|---|---|---|
| | Year ended | | | |
| | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | (Restated) | | (Restated) |
| The PRC | **208** | – | **7,148** | 2,611 |
| Hong Kong | **65,717** | 71,942 | **3,971** | 15,013 |
| The Philippines | **8,954** | 7,620 | **3,812** | 28,068 |

### Information about major customers

Revenue from each of the major customers, which accounted for 10% or more of the Group's revenue during the year, is set out below:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Insurance brokerage and related service segment | | |
| Customer A | **19,749** | 9,623 |
| Customer B | **14,042** | 23,300 |
| Customer C | **6,121** | 15,175 |
| | **39,912** | 48,098 |

## 6. OTHER INCOME

### Continuing operations

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Sundry income | **38** | 443 |

## 7. FINANCE COSTS

**Continuing operations**

| | 2018<br>*HK$'000* | 2017<br>*HK$'000*<br>(Restated) |
|---|---|---|
| Interest on corporate bonds | **13,968** | 11,142 |
| Imputed interest on corporate bonds *(note 32)* | **14,765** | 8,928 |
| Imputed interest on promissory notes *(note 31)* | **–** | 288 |
| Interest on promissory notes | **1,096** | 3,314 |
| Interest on other borrowings | **1,036** | 53 |
| Finance charges | **91** | 144 |
| | **30,956** | 23,869 |

## 8. LOSS BEFORE TAXATION

Loss before taxation from continuing operations has been arrived at after charging the following:

| | 2018<br>*HK$'000* | 2017<br>*HK$'000*<br>(Restated) |
|---|---|---|
| Staff costs (including directors' remuneration): | | |
| – Salaries and other benefits | **21,968** | 17,892 |
| – Retirement benefits scheme contributions | **632** | 703 |
| | **22,600** | 18,595 |
| Amortisation of intangible asset *(note 18)* | **1,520** | 1,520 |
| Amortisation of prepaid lease payment *(note 16)* | **121** | 116 |
| Auditor's remuneration | **915** | 784 |
| Depreciation of property, plant and equipment *(note 15)* | **4,201** | 3,575 |
| Operating lease rentals of office premises | **4,844** | 4,805 |
| Operating lease rentals of equipment | **67** | 105 |
| Exchange loss, net | **46** | 8 |

## 9. TAXATION

| | 2018<br>*HK$'000* | 2017<br>*HK$'000*<br>(Restated) |
|---|---|---|
| **Current tax:** | | |
| Hong Kong profits tax | | |
| Current year | **706** | 881 |
| Over-provision in previous years | **(344)** | (189) |
| Overseas and Philippines income tax | | |
| Current year | **448** | 173 |
| **Deferred tax:** | | |
| Deferred taxation relating to the origination and reversal of temporary differences *(note 33)* | **(76)** | (76) |
| | **734** | 789 |

## 9. TAXATION (*continued*)

The tax charge for the years can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Loss before taxation from continuing operations | **(105,039)** | (89,674) |
| Profit before taxation from discontinued operation | **23,967** | (11,073) |
| | **(81,072)** | (100,747) |
| Tax calculated at the applicable tax rates | **(13,542)** | (16,623) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(493)** | 227 |
| Tax effect of non-deductible expenses | **25,170** | 13,644 |
| Tax effect of non-taxable income | **(4,280)** | (2,851) |
| Tax effect of utilisation of tax losses not previous recognised | **–** | (177) |
| Tax effect of tax losses not recognised | **986** | 5,015 |
| Over-provision in previous years | **(344)** | (189) |
| Tax effect of other temporary differences not recognised | **(6,763)** | 1,743 |
| Taxation charge | **734** | 789 |

### (i) Hong Kong profits tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%..

For the year ended 30 June 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. For the year ended 30 June 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

## 9. TAXATION (*continued*)

### (ii) The Philippines income tax

Upon incorporation of the Company's subsidiary established in the Philippines, Red Rabbit International Technology Inc. ("Red Rabbit"), Cagayan Economic Zone Authority ("CEZA") approved Red Rabbit's registration as an Ecozone Export Enterprise for its business activities. Under the terms of its registration, Red Rabbit is entitled to certain incentives such as exemption in Value-Added Tax. Business establishments operating within the said economic zone shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987. In lieu of paying national and local taxes, it shall pay 5% special tax rate on gross income earned as defined under Republic Act No. 7922, the law creating CEZA.

The provision for current income tax represents the income tax computed at the special tax rate of 5% applicable to CEZA registered enterprises.

### (iii) The PRC enterprise income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

### (iv) Overseas income tax

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda. The Company's subsidiaries established in the British Virgin Islands ("BVI") are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income taxes. The Company's subsidiary established in the Republic of Seychelles is exempted from payment of the Republic of Seychelles income tax.

## 10. DISCONTINUED OPERATIONS

(a) On 1 September 2017, the Group signed a sale and purchase agreement with an independent third party to acquire the entire equity interests in a subsidiary, Lately Focus Limited ("Lately Focus"). Lately Focus is an investment holding company holding a single investment in the entire equity interests in another company, Geoprime Holding Corporation ("Geoprime"). Geoprime is another investment holding company holding the sole asset of 14% equity interests in an entity, Ecotaxi Transportation Inc. ("Ecotaxi"). Ecotaxi is principally engaged in provision of taxi service in Phillippines. Lately Focus and Geoprime are acquired by the management exclusively with a view to resale.

In the opinion of the directors of the Company, this acquisition did not constitute a business combination in accordance with HKFRS 3. As such the acquisition is in substance an acquisition of asset. The transaction was accounted for as an asset acquisition through acquisition of subsidiaries.

On 8 February 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interests in Lately Focus. The disposal was completed on 8 February 2018. Its results of operation are presented in these consolidated financial statements as discontinued operations.

### Financial performance and cash flow information

Financial information relating to the discontinued operations of Lately Focus from the date being acquired by the Group to the date of disposal is set out below.

| | **2018** |
|---|---|
| | *HK$'000* |
| Administrative and other expenses | (10) |
| Loss before taxation from discontinued operations | (10) |
| Taxation | – |
| Loss after taxation from discontinued operations | (10) |
| Gain on disposal of subsidiaries after taxation *(note 39(b))* | 250 |
| **Profit and other comprehensive income from discontinued operations** | 240 |

No cash flow generated from operating, investing and financing activities.

## 10. DISCONTINUED OPERATIONS (*continued*)

(b) On 31 October 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in its subsidiaries, Easy Union and Huntop, which carried out all of the Group's energy saving service and sales of related products ("Energy Saving"). The disposal was completed on 31 October 2017, on which date control of the operations of Energy Saving passed to the acquirer. Its results are presented in these consolidated financial statements as discontinued operations.

### Financial performance and cash flow information

The financial performance and cash flow information of Energy Saving presented are set out below. The comparative loss and cash flows from discontinued operations have been restated to include the operations classified as discontinued in the current year.

| | 1 July 2017 to 31 October 2017 *HK$'000* | 1 July 2016 to 30 June 2017 *HK$'000* |
|---|---|---|
| **Revenue** | 3,146 | 7,956 |
| Cost of sales | (2,942) | (6,705) |
| Other income | 744 | 2,530 |
| Reversal of impairment loss on trade receivables *(note 26)* | – | 5,022 |
| Distribution costs | (14) | (163) |
| Administrative and other expenses | (89) | (7,712) |
| Impairment loss on trade and other receivables *(note 26)* | – | (12,001) |
| Profit/(Loss) before taxation from discontinued operations | 845 | (11,073) |
| Taxation | – | – |
| Profit/(Loss) after taxation from discontinued operations | 845 | (11,073) |
| Gain on disposal of subsidiaries after taxation *(note 39(a))* | 22,882 | – |
| **Profit/(loss) from discontinued operations** | 23,727 | (11,073) |
| Profit/(loss) from discontinued operations include the followings: | | |
| Depreciation | – | 4 |
| Staff costs | 70 | 551 |
| **Other comprehensive expense from discontinued operations** | | |
| Exchange differences on translation of discontinued operations | (8,703) | – |
| Net cash inflow/(outflow) from operating activities | 1,500 | (441) |
| Net cash inflow from investing activities | – | 2 |
| Total cash flows | 1,500 | (493) |

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

The emoluments paid or payable to each of the 6 (2017: 7) directors of the Company are as follows:

| | Directors' fees | Salaries and allowances | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Name of Directors** | | | | |
| **2018** | | | | |
| **Executive Directors:** | | | | |
| Chow Yik | – | 1,542 | 18 | 1,560 |
| Leung King Fai | – | 982 | 18 | 1,000 |
| Ma Jun | – | 480 | – | 480 |
| **Independent Non-Executive Directors:** | | | | |
| Ng Chi Ho, Dennis | 120 | – | – | 120 |
| Chan Sin Wa Carrie | 120 | – | – | 120 |
| Chung Shu Kun Christopher | 120 | – | – | 120 |
| Total | 360 | 3,004 | 36 | 3,400 |

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (*continued*)

### (a) Directors' emoluments *(continued)*

| | Directors' fees | Salaries and allowances | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Restated) | (Restated) | (Restated) | (Restated) |
| **Name of Directors** | | | | |
| **2017** | | | | |
| **Executive Directors:** | | | | |
| Chow Yik | – | 1,222 | 18 | 1,240 |
| Leung King Fai | – | 682 | 18 | 700 |
| Ma Jun | – | 480 | – | 480 |
| **Independent Non-Executive Directors:** | | | | |
| Ng Chi Ho, Dennis | 120 | – | – | 120 |
| Chan Sin Wa Carrie | 120 | – | – | 120 |
| Chung Shu Kun Christopher | 120 | – | – | 120 |
| Wai Tze Lung, Francis* | 42 | – | – | 42 |
| Total | 402 | 2,384 | 36 | 2,822 |

* Mr. Wai Tze Lung, Francis resigned as an independent non-executive director of the Company with effect from 7 November 2016.

During the year ended 30 June 2018, compensation of key management personnel represents remuneration to directors as set out above. For the year ended 30 June 2017, total compensation to key management personnel comprises remuneration to directors and a member of key management personnel, consisting of short-term employee benefits and post-employment benefits with aggregate amounts of approximately HK$3,256,000 and HK$47,000 respectively. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (*continued*)

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company whose emoluments were included in note (a) above. The emoluments of the remaining three (2017: three) individuals were as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Salaries, allowances and benefits in kind | **3,089** | 1,950 |
| Retirement benefits scheme contributions | **51** | 49 |
| | **3,140** | 1,999 |

The number of employees whose emoluments fall within the following band was as follows:

| | **2018** | 2017 |
|---|---|---|
| Nil to HK$1,000,000 | **2** | 3 |
| HK$1,000,001 to HK$1,500,000 | **1** | – |

For the years ended 30 June 2018 and 2017, no emoluments were paid by the Group to these five highest paid individuals, and the directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no director waived any emoluments.

## 12. DISCLOSURE OF TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

No disclosure of tax effects have been made as there were no tax benefits or tax expenses relating to the components of other comprehensive income during the years ended 30 June 2018 and 2017.

## 13. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 30 June 2018 (2017: Nil).

## 14. LOSS PER SHARE

### Basic and diluted earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is as follow:

| | **2018** | 2017 |
|---|---|---|
| | ***Cents per share*** | *Cents per share* |
| | | (Restated) |
| **From continuing operations** | **(49.95)** | (135.28) |
| **From discontinued operations** | **11.71** | (16.81) |
| | **(38.24)** | (152.09) |

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the years ended 30 June 2018 and 2017.

### Reconciliations of earnings/(loss) used in calculating loss per share

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Loss used in the calculation of basic and diluted earnings/(loss) per share from continuing operations | **(102,216)** | (89,125) |
| Profit/(Loss) for the year from discontinued operations *(note 10)* | **23,967** | (11,073) |
| Loss for the year attributable to the owners of the Company | **(78,249)** | (100,198) |

### Weighted average number of ordinary shares

As described in notes 34(b) and 34(c), the Company completed the rights issue on 10 August 2017 and the share consolidation arising from capital reorganisation after the end of the reporting period. In calculating earnings per share, the weighted average number of shares outstanding during the years ended 30 June 2018 and 2017 were calculated as if the bonus elements without consideration included in the rights issue had been existed from and the share consolidation had been completed at the beginning of the comparative year.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements | Furniture and fixtures | Motor vehicles | Construction in progress | Plant and machinery | Piggeries | Total |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cost** | | | | | | | |
| At 1 July 2016 (Restated) | 3,119 | 630 | 164 | – | 1,354 | – | 5,267 |
| Currency realignment (Restated) | 77 | (1) | – | – | – | – | 76 |
| Transfers from deposits paid *(note)* (Restated) | 3,800 | – | – | 5,000 | – | – | 8,800 |
| Additions (Restated) | 65 | 89 | – | – | 951 | – | 1,105 |
| At 30 June 2017 and 1 July 2017 (Restated) | 7,061 | 718 | 164 | 5,000 | 2,305 | – | 15,248 |
| Currency realignment | (344) | 2 | – | – | – | 100 | (242) |
| Additions | 1,263 | 127 | – | – | 552 | – | 1,942 |
| Transfer from construction in progress *(note)* | – | – | – | (5,000) | – | 5,000 | – |
| Disposals | (564) | – | – | – | – | – | (564) |
| Disposal of subsidiaries *(note 39(a))* | – | (91) | – | – | – | – | (91) |
| At 30 June 2018 | 7,416 | 756 | 164 | – | 2,857 | 5,100 | 16,293 |
| **Accumulated depreciation and impairment loss** | | | | | | | |
| At 1 July 2016 (Restated) | 987 | 160 | 1 | – | 159 | – | 1,307 |
| Currency realignment (Restated) | 15 | (1) | – | – | – | – | 14 |
| Charge for the year (Restated) | 2,836 | 116 | 33 | – | 594 | – | 3,579 |
| At 30 June 2017 and 1 July 2017 (Restated) | 3,838 | 275 | 34 | – | 753 | – | 4,900 |
| Currency realignment | (164) | 2 | – | – | – | (9) | (171) |
| Charge for the year | 2,809 | 126 | 32 | – | 715 | 519 | 4,201 |
| Written back on disposals | (564) | – | – | – | – | – | (564) |
| Disposal of subsidiaries *(note 39(a))* | – | (79) | – | – | – | – | (79) |
| Impairment loss for the year | 1,105 | 420 | 98 | – | 1,389 | – | 3,012 |
| At 30 June 2018 | 7,024 | 744 | 164 | – | 2,857 | 510 | 11,299 |
| **Carrying values** | | | | | | | |
| At 30 June 2018 | 392 | 12 | – | – | – | 4,590 | 4,994 |
| At 30 June 2017 (Restated) | 3,223 | 443 | 130 | 5,000 | 1,552 | – | 10,348 |

## 15. PROPERTY, PLANT AND EQUIPMENT (*continued*)

*Notes:*

The net carrying value of plant and machinery of approximately HK$Nil (2017: HK$1,552,000) includes an amount of HK$Nil (2017: HK$1,073,000) in respect of assets held under obligations under finance leases.

During the year ended 30 June 2018, the directors reviewed and examined the current operations of the Group and considered the recoverable amount of property, plant and equipment from its insurance brokerage and related service business is minimal. Accordingly, full impairment loss of approximately HK$3,012,000 (2017: HK$Nil) is recognised in these consolidated financial statements.

During the year ended 30 June 2017, an aggregate amount of construction in progress of approximately HK$5,000,000 has been transferred from deposits paid for property, plant and equipment upon the construction works commenced for the piggeries for livestocks business. Upon the construction works completed during the year ended 30 June 2018, the full amount of construction in progress is transferred to piggeries.

As at 30 June 2017, an amount of leasehold improvements of approximately HK$3,800,000 was transferred from deposits paid for property, plant and equipment as the decoration works under the information technology services completed in previous year end.

## 16. PREPAID LEASE PAYMENT

The Group's prepaid lease payment comprises:

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| At 1 July | **2,714** | 2,872 |
| Currency realignment | **82** | (42) |
| Amortisation | **(121)** | (116) |
| At 30 June | **2,675** | 2,714 |
| Analysed for reporting purposes as: | | |
| Non-current assets | **2,556** | 2,599 |
| Current assets | **119** | 115 |
| | **2,675** | 2,714 |

## 17. GOODWILL

| | HK$'000 |
|---|---|
| **Cost** | |
| At 1 July 2016 (Restated) | 34,998 |
| Acquisition of subsidiaries *(note 37)* (Restated) | 4,258 |
| At 30 June 2017 and 1 July 2017 (Restated) | 39,256 |
| Acquisition of subsidiaries | – |
| At 30 June 2018 | 39,256 |
| **Accumulated impairment losses** | |
| At 1 July 2016, 30 June 2017 and 1 July 2017 (Restated) | 11,451 |
| Impairment loss for the year | 24,963 |
| At 30 June 2018 | 36,414 |
| **Net book value** | |
| At 30 June 2018 | 2,842 |
| At 30 June 2017 (Restated) | 27,805 |

During the year ended 30 June 2017, goodwill of approximately HK$4,258,000 (note 37) arising from the acquisition of Sang Woo (Kirin) Asset Management Limited ("SWKAM") was allocated to the Group's cash generating units ("CGUs") of asset management and securities brokerage services segment.

### Information technology service

The recoverable amount of the CGU had been determined on the basis of value-in-use calculation with reference to a valuation performed by BMI Appraisals Limited, a firm of independent qualified professional valuers not connected with the Group. That calculation used cash flow projections based on financial budgets approved by management covering a 5 year period, and a pretax discount rate of 25.84%. Cash flows beyond the 5 year period had been extrapolated using 3% growth rate. This growth rate was based on the relevant industry growth forecasts and did not exceed the average long term growth rate for the relevant industry.

Full impairment loss of approximately HK$20,705,000 was recognised during the year ended 30 June 2018 due to the uncertain political conditions and change in government policy which affect adversely the future growth and profits of the Group's information technology service business.

## 17. GOODWILL (*continued*)

### Money lending service

The recoverable amount of the CGU had been determined on the basis of value-in-use calculation with reference to a valuation performed by BMI Appraisals Limited. That calculation used cash flow projections based on financial budgets approved by management covering a 5 year period, and a pretax discount rate of 18.91%. Cash flows beyond the 5 year period had not been extrapolated without any growth rate. This analysis was based on the relevant industry growth forecasts and did not exceed the average long term growth rate for the relevant industry.

### Asset management service

The recoverable amount of the CGU had been determined on the basis of value-in-use calculation with reference to a valuation performed by BMI Appraisals Limited. That calculation used cash flow projections based on financial budgets approved by management covering a 5 year period, and a pretax discount rate of 18.73%. Cash flows beyond the 5 year period had been extrapolated using 3% growth rate. This growth rate was based on the relevant industry growth forecasts and did not exceed the average long term growth rate for the relevant industry.

In view of the continuous loss-making financial performance of SWKAM and the increase in market competition and operating expenses which affect adversely the future growth and profits of the Group's asset management service business, the directors of the Company concluded that the goodwill arising from the acquisition of SWKAM should be impaired in full during the year ended 30 June 2018, amounted to HK$4,258,000.

### Insurance brokerage service

Up to 30 June 2016, the recoverable amount of the CGU had been determined on the basis of value-in-use calculation with reference to a valuation performed by BMI Appraisals Limited. That calculation used cash flow projections based on financial budgets approved by management covering a 5 year period, and a pretax discount rate of 25.13%. Cash flows beyond the 5 year period had been extrapolated using 3.5% growth rate. This growth rate was based on the relevant industry growth forecasts and did not exceed the average long term growth rate for the relevant industry.

Full impairment loss of HK$11,451,000 was recognised during the year ended 30 June 2016 due to the increase in market competition and operating expenses which affect adversely the future growth and profits of the Group's insurance brokerage service business.

## 18. INTANGIBLE ASSET

| | Customer service contract |
|---|---|
| | *HK$'000* |
| **Cost** | |
| At 1 July 2016, 30 June 2017, 1 July 2017 (Restated) and 30 June 2018 | 7,600 |
| **Accumulated amortisation** | |
| At 1 July 2016 (Restated) | 1,140 |
| Amortisation for the year (Restated) | 1,520 |
| At 30 June 2017 and 1 July 2017 (Restated) | 2,660 |
| Amortisation for the year | 1,520 |
| At 30 June 2018 | 4,180 |
| **Net book value** | |
| At 30 June 2018 | 3,420 |
| At 30 June 2017 (Restated) | 4,940 |

The customer service contract was purchased as part of the acquisition of Red Rabbit International Technology Inc. ("Red Rabbit") since the year ended 30 June 2016.

The customer service contract has definite lives and is amortised on a straight-line basis over its useful life of 5 years.

## 19. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS

(a) On 6 April 2016, the Company entered into a non-legally binding memorandum of understanding with an independent third party and paid the refundable deposit of HK$6,750,000 for the acquisition of a business, which is principally engaged in provision of taxi service in Philippines. Subsequent to 30 June 2017, the Company further entered into a formal agreement for sale and purchase to finalise this acquisition. Details of this aforesaid acquisition have been disclosed in note 36(a).

(b) On 13 September 2016, the Group entered into a non-legally binding memorandum of understanding with an independent third party and paid the refundable deposit of HK$4,700,000 for the acquisition of a business, which is principally engaged in provision of public relation services. Subsequent to 30 June 2017, the Group further entered into a sale and purchase agreement to acquire 40% equity interest in the aforesaid business related to public relation services to finalise this acquisition. Details of this aforesaid acquisition have been disclosed in note 36(b).

## 20. DEPOSITS PAID FOR LIVESTOCKS

| | 2018<br>*HK$'000* | 2017<br>*HK$'000*<br>(Restated) |
|---|---|---|
| Deposits paid for livestocks | **2,657** | 5,582 |

The amount represented the deposit paid for livestocks to an independent supplier. The directors of the Company reassessed the mode of livestocks operation and have adjusted its business plan by redeveloping its hog farm so as to apply the permit for exporting hogs from the PRC to Hong Kong. In order to redevelop the hog farm so as to meet the regulatory standards for the new operation mode, the sales of livestocks operation will be recommenced in second half of 2018.

The directors of the Company have negotiated with the supplier for the status of redeveloping of hog farms, the supplier has refunded the entire amount subsequent to 30 June 2018.

## 21. INTEREST IN AN ASSOCIATE

| | 2018<br>*HK$'000* | 2017<br>*HK$'000* |
|---|---|---|
| Cost of investment in an unlisted associate | **4,700** | – |
| Share of post-acquisition profits | **2,073** | – |
| | **6,773** | – |

On 15 September 2017, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire interests in Aritza Holdings Limited ("Aritza") at a cash consideration of HK$4,700,000. Aritza is an investment holding company holding a single investment of 40% equity interests in an associate, One PR Limited ("One PR"), which is principally engaged in provision of public relation services.

Followings are the particulars of the associate as at 30 June 2018 whose quoted market price is not available:

| | | | |
|---|---|---|---|
| a) | Name of company | : | One PR Limited |
| b) | Place of incorporation and principal place of business | : | Hong Kong |
| c) | Particulars of shares | : | 10,000 ordinary shares |
| d) | Proportion of ownership interest | : | 40% (2017: Nil) |
| e) | Principal activities | : | Financial marketing and event promotion |

## 21. INTEREST IN AN ASSOCIATE (*continued*)

The summarised financial information in respect of the Group's interest in an associate which is accounted for using the equity method is set out below:

| | **2018** |
|---|---|
| | ***HK$'000*** |
| Gross amounts | |
| Current assets | **6,495** |
| Non-current assets | **12** |
| Current liabilities | **1,196** |

| | **Since acquisition to 30 June 2018** |
|---|---|
| | ***HK$'000*** |
| Revenue | **6,395** |
| Profit and total comprehensive income from continuing operations | **5,182** |
| Total comprehensive income | **5,182** |

There was no dividend received from the associate during the period since acquisition to 30 June 2018.

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate is as follows:

| | **2018** |
|---|---|
| | ***HK$'000*** |
| Net assets of the associate | **5,311** |
| Group's effective interest | **40%** |
| Proportion of the Group's ownership interest in associate | **2,125** |
| Goodwill | **4,648** |
| Carrying amount of the Group's interest in an associate | **6,773** |

## 22. INTEREST IN A JOINT VENTURE

| | 2018 | 2017 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Capital contribution | – | – |

On 7 July 2016, the Group entered into a joint venture agreement with Zhongjun Investment Management (Hong Kong) Company Limited for the establishment of a joint venture company (the "JV Company"), with total amount of capital to be contributed by the Group of HK$5,000,000. The JV Company shall provide China veterans and their family members with not less than fifty thousand places of study tours for five specific subjects which are investment, medical benefits, retirement protection, business startup and wealth creation, and training. The JV Company shall also facilitate Hong Kong investors to make investment that are beneficial to the employment of veterans in China.

Followings are the particulars of the JV Company whose quoted market price is not available:

| | | | |
|---|---|---|---|
| a) | Name of company | : | Zhong Jun Kirin Limited |
| b) | Place of incorporation and principal place of business | : | Hong Kong |
| c) | Particulars of shares | : | 20 ordinary shares |
| d) | Proportion of ownership interest | : | 50% (2017: 50%) |
| e) | Principal activities | : | Provision of marketing service |

Up to 30 June 2018, the JV Company has not called up any share capital. Accordingly, full amount of capital of HK$5,000,000 that was contracted but not provided for in these consolidated financial statements were disclosed as capital commitment (note 42).

For the years ended 30 June 2017 and 2018, the JV Company remained inactive and therefore, no share of results was accounted for in these consolidated financial statements. Summarised financial information of the JV Company was also not disclosed as the results and financial information of the JV Company has minimal effect on the consolidated financial statements of the Group.

## 23. AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial asset represents unlisted equity securities that are recognised at cost less impairment losses as it does not have a quoted market price on active market. The range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

The unlisted equity securities with cost of approximately HK$21,238,000 (Restated) as at 30 June 2017 have been fully impaired in the previous years and have been disposed of during the year ended 30 June 2017.

## 24. LOAN RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Unsecured, fixed rate loan receivables | **291,054** | 149,533 |
| *Less:* Allowance for impairment | | |
| – Individually assessed | **(8,500)** | (8,500) |
| | **282,554** | 141,033 |

The movements in provision for impairment of loan receivables of the Group are as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| At 1 July | **8,500** | 2,000 |
| Impairment loss recognised | **–** | 6,500 |
| At 30 June | **8,500** | 8,500 |

The majority of loan receivables carried at 7%–12% (2017: 7%–24%) interest rate per annum.

The directors of the Company assessed the recoverable amount of the loan receivables taking into consideration the estimated future cash flows and timing of such cash flows discounted at its original effective interest rate. In the opinion of the directors of the Company, the recoverable amount of loan receivables with carrying amount of HK$8,500,000 was minimal, accordingly, full impairment loss of HK$8,500,000 was recognised in these consolidated financial statements for both years ended 30 June 2018 and 2017.

## 24. LOAN RECEIVABLES (*continued*)

The loan receivables are due for settlement at the date specified in the respect loan agreements. The ageing analysis of the loan receivables is prepared based on contractual due date:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Neither past due nor impaired | **282,554** | 141,033 |

## 25. CONSIDERATION RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Consideration receivables in respect of: | | |
| Disposal of Lately Focus *(note 39(b))* | **7,000** | – |

Subsequent to 30 June 2018, all consideration receivables were received by the Group.

## 26. TRADE AND OTHER RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Trade receivables | **14,209** | 33,513 |
| Interest receivables | **15,711** | 9,554 |
| *Less:* Allowance for impairment | **(1,119)** | (22,126) |
| | **28,801** | 20,941 |
| Other receivables | **2,740** | 18,321 |
| *Less:* Allowance for impairment | **–** | (856) |
| | **2,740** | 17,465 |
| Prepayments, rental and other deposits | **2,156** | 13,831 |
| | **33,697** | 52,237 |

Included in other receivables, an amount of approximately HK$115,000 (2017: Nil) represents the balance that due from an associate as at 30 June 2018.

## 26. TRADE AND OTHER RECEIVABLES (*continued*)

The Group allows an average credit period normally 90 days (2017: 90 days) to its trade customers. The following is an ageing analysis of trade and interest receivables (net of allowance for doubtful debt) presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition date.

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| 0 to 3 months | **27,529** | 19,927 |
| 4 to 6 months | **1,254** | – |
| 7 to 12 months | **14** | 996 |
| Over 1 year | **4** | 18 |
| | **28,801** | 20,941 |

The movements in provision for impairment of trade and other receivables of the Group are as follows:

| | Trade receivables | |
|---|---|---|
| | 2018 | 2017 |
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| At 1 July | **21,963** | 15,238 |
| Currency realignment | **–** | (254) |
| Impairment loss recognised | **956** | 12,001 |
| Reversal of impairment loss | **–** | (5,022) |
| Disposal of subsidiaries | **(21,963)** | – |
| At 30 June | **956** | 21,963 |

| | Other receivables | |
|---|---|---|
| | 2018 | 2017 |
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| At 1 July | **856** | 868 |
| Currency realignment | **–** | (12) |
| Disposal of subsidiaries | **(856)** | – |
| At 30 June | **–** | 856 |

## 26. TRADE AND OTHER RECEIVABLES (*continued*)

| | **Interest receivables** | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| At 1 July and 30 June | **163** | 163 |

As at 30 June 2018, the Group's trade, other and interest receivables are determined individually whether they are impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. At 30 June 2018, trade, other and interest receivables of approximately HK$1,119,000 (2017: HK$22,982,000) were impaired. The amount of allowance was HK$1,119,000 as at 30 June 2018 (2017: HK$22,982,000).

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Neither past due nor impaired | **13,253** | 11,550 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The ageing analysis of the interest receivables that are not impaired is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Neither past due nor impaired | **15,548** | 9,391 |

Receivables that were neither past due nor impaired relate to a wide range of borrowers for whom there was no recent history of default.

## 27. CASH AND CASH EQUIVALENTS

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| Cash and bank balances and cash and cash equivalents as stated in the consolidated statement of cash flows | **10,436** | 22,091 |

Included in the cash and bank balances, an amount of approximately HK$68,000 (2017: HK$1,000) arised from segregated bank balances which represented money deposited by clients in the course of its insurance brokerage and securities brokerage businesses. The Group has recognised the corresponding accounts payable to respective clients.

## 28. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| Trade payables | **28,960** | 20,554 |
| Other payables and accruals | **8,939** | 23,522 |
| Receipt in advance | **300** | 1,584 |
| | **38,199** | 45,660 |

The ageing analysis of trade payables at the end of the reporting period is as follows:

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| Within 1 year | **28,832** | 2 |
| Over 1 year | **128** | 20,552 |
| | **28,960** | 20,554 |

The average credit period on purchases of goods is normally 90 days (2017: 90 days).

## 29. BORROWINGS

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| Other borrowings | – | 5,000 |

During the year ended 30 June 2017, the Group entered into loan agreements with an independent third party for obtaining borrowings with an aggregate principal of HK$17,000,000 for financing its daily operations and potential acquisition. These borrowings were unsecured, interest-bearing at a fixed rate of 12% per annum and repayable by 31 August 2017, with personal guarantee executed by a director of the Company. The principal amount of HK$12,000,000 was repaid by the Group during the year ended 30 June 2017.

During the year ended 30 June 2018, the Group further entered into loan agreements with other independent third parties for obtaining temporary borrowings with aggregate principal of HK$39,000,000 for financing its daily operations. Out of the principal of HK$39,000,000 that the Group obtained the borrowings, an amount of HK$20,000,000 borrowings are guaranteed by a director of the Company. All borrowings have been fully settled by the Group during the year ended 30 June 2018.

## 30. OBLIGATIONS UNDER FINANCE LEASES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | (Restated) | | (Restated) |
| Amounts payable under finance leases: | | | | |
| Not later than one year | **466** | 586 | **437** | 501 |
| Later than one year and not later than five years | **15** | 331 | **15** | 311 |
| | **481** | 917 | **452** | 812 |
| *Less:* Future finance charges | **(29)** | (105) | **N/A** | N/A |
| Present value of minimum lease payments | **452** | 812 | **452** | 812 |
| *Less:* Amount due for settlement within 1 year under current liabilities | | | **(437)** | (501) |
| Amount due for settlement after 1 year | | | **15** | 311 |

It is the Group's policy to lease certain of its plant and machinery under finance leases. The lease term is expiring from two to three years. Interest is charged at rates ranging from 2% to 12.25% per annum (2017: 2% to 12.25%) on the outstanding loan balances. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

## 31. PROMISSORY NOTES

On 7 September 2016, the Company issued a promissory note ("PN 1") with principal amount of HK$32,000,000 to an independent third party. PN 1 bears interest of 12% per annum, with maturity date of 6 March 2017, and has been subsequently extended to 5 September 2017. The Group has fully settled the PN 1 during the year ended 30 June 2018.

On 20 April 2017, the Company issued another promissory note ("PN 2") with principal amount of HK$8,000,000 to the same independent third party. PN 2 bears interest of 12% per annum, with maturity date of 5 September 2017. On 15 December 2017, the Company partially settled HK$4,500,000 and issued a new promissory note ("PN 3") with principal amount of HK$3,500,000 to replace PN 2 to the same independent third party. PN 3 is interest-bearing at 12% per annum and matured on 15 June 2018. The Group has partially settled the PN 3 of HK$330,000 during the year ended 30 June 2018.

The movement of the promissory notes is set out below:

| | *HK$'000* |
|---|---|
| At 1 July 16 (Restated) | 5,312 |
| Issued during the year (Restated) | 40,000 |
| Imputed interest *(note 7)* (Restated) | 288 |
| Interest paid (Restated) | (600) |
| Principal settled (Restated) | (5,000) |
| At 30 June 2017 and 1 July 2017 (Restated) | 40,000 |
| Principal settled | (36,830) |
| At 30 June 2018 | 3,170 |

## 32. CORPORATE BONDS

During the year ended 30 June 2017, the Company issued 18 months to 5 years corporate bonds with aggregate principal amounts of HK$159,543,000 to certain independent third parties, net of direct expenses of approximately HK$18,946,000. These corporate bonds carried interest at fixed rates of 2% to 42% per annum with interest payable monthly or semi-annually in arrears. These corporate bonds are unsecured. As at 30 June 2017, the effective interest rates of the majority of these corporate bonds are ranging from 3% to 24% per annum.

During the year ended 30 June 2018, the Company issued 1 month to 18 months corporate bonds with aggregate amounts of HK$96,913,000 to certain independent third parties, net of direct expenses of approximately HK$11,715,000. These corporate bonds carried at fixed rates ranging from 1% to 17% per annum with interest payable monthly or semi-annually in arrears. These corporate bonds are unsecured. As at 30 June 2018, the effective interest rates of the majority of corporate bonds are ranging from 9.5% to 25.88%.

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| At 1 July | **167,881** | 63,425 |
| Proceeds from issuance of corporate bonds | **96,913** | 159,543 |
| Transaction costs for corporate bonds issuance | **(11,715)** | (18,946) |
| Imputed interest *(note 7)* | **14,765** | 8,928 |
| Principal repaid | **(103,062)** | (45,069) |
| At 30 June | **164,782** | 167,881 |
| Carrying amount repayable: | | |
| Within one year | **140,733** | 105,543 |
| After one year but within five years | **10,208** | 49,336 |
| Over five years | **13,841** | 13,002 |
| | **164,782** | 167,881 |
| *Less:* Amount shown under current liabilities | **(140,733)** | (105,543) |
| Amount shown under non-current liabilities | **24,049** | 62,338 |

## 32. CORPORATE BONDS (*continued*)

Details of the Corporate Bonds held by individual over HK$9,000,000 issued during the year ended 30 June 2018 are as follows:

| **Bond number** | **Subscriber** | **Principal amount** | **Date of issue** |
|---|---|---|---|
| 133A | 陳二虎 | HK$10,300,000 | 18 January 2018 |
| 203 | 汪武揚 | HK$10,000,000 | 18 August 2017 |
| 204 | 趙興飛 | HK$10,000,000 | 18 August 2017 |
| 210 | 魏文 | HK$9,500,000 | 28 September 2017 |

Details of the Corporate Bonds held by individual over HK$9,000,000 issued during the year ended 30 June 2017 are as follows:

| **Bond number** | **Subscriber** | **Principal amount** | **Date of issue** |
|---|---|---|---|
| 126 | 李金寧 | HK$10,000,000 | 7 December 2016 |
| 129 | 連振文 | HK$10,000,000 | 23 December 2016 |
| 130 | 王超 | HK$10,000,000 | 23 December 2016 |
| 132 | 禹雲益 | HK$10,000,000 | 18 January 2017 |
| 133 | 陳二虎 | HK$10,300,000 | 18 January 2017 |

## 33. DEFERRED TAXATION

The following are the major components of deferred tax liability recognised by the Group and movements thereon during the current and prior years:

| | **Fair value adjustment on intangible assets arising from business combination** *HK$'000* |
|---|---|
| At 1 July 2016 (Restated) | 323 |
| Credited to profit or loss *(note 9)* (Restated) | (76) |
| At 30 June 2017 and 1 July 2017 (Restated) | 247 |
| Credited to profit or loss *(note 9)* | (76) |
| At 30 June 2018 | 171 |

## 33. DEFERRED TAXATION (*continued*)

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (Restated) |
| Deductible temporary differences | **3,324** | 39,163 |
| Unused tax losses | **61,668** | 51,610 |
| | **64,992** | 90,773 |

At 30 June 2018, the Group had unused tax losses of approximately HK$61,668,000 (2017: HK$51,610,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. As at 30 June 2017, the unrecognised tax losses may be carried forward indefinitely except for the tax losses arising in the PRC of approximately HK$7,484,000 which will expire at various dates up to year 2021. No material unrecognised tax losses as at 30 June 2018 as the major subsidiaries established in the PRC, Easy Union and Huntop have been disposed of during the year ended 20 June 2018.

At 30 June 2018, the Group had deductible temporary differences of approximately HK$3,324,000 (2017: HK$39,163,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

## 34. SHARE CAPITAL

| | Number of shares | Amount |
|---|---|---|
| | *'000* | *HK$'000* |
| Authorised: | | |
| At 1 July 2016 and 30 June 2017 (ordinary shares of HK$0.05) (Restated) | 3,000,000 | 150,000 |
| Increase in authorised share capital *(note (a))* | 7,000,000 | 350,000 |
| At 30 June 2018 (ordinary shares of HK$0.05) | 10,000,000 | 500,000 |

## 34. SHARE CAPITAL (*continued*)

| | Number of shares *'000* | Amount *HK$'000* |
|---|---|---|
| Issued and fully paid: | | |
| At 1 July 2016 and 30 June 2017 (ordinary shares of HK$0.05) (Restated) | 1,266,767 | 63,338 |
| Issue of shares upon rights issue *(note (b))* | 3,166,918 | 158,346 |
| At 30 June 2018 (ordinary shares of HK$0.05) | 4,433,685 | 221,684 |

### (a) Increase in authorised share capital

Pursuant to an ordinary resolution passed at a special general meeting of the Company on 6 July 2017, the shareholders of the Company have approved the increase in authorised share capital of the Company from HK$150,000,000 (divided into 3,000,000,000 shares of a par value of HK$0.05 per share) to HK$500,000,000 (divided into 10,000,000,000 shares of a par value of HK$0.05 per share) by the creation of an additional 7,000,000,000 unissued shares that rank pari passu with all existing shares. Details are set out in the announcement and circular dated 16 May 2017 and 16 June 2017.

### (b) Rights issue

On 10 August 2017, the Company issued and allotted 3,166,918,125 rights shares at a price of HK$0.07 per rights share on the basis of five rights shares for every two existing shares to subscribers for gross proceeds of approximately HK$221,684,000. The difference of HK$60,013,000 between the net proceeds of HK$218,359,000 (after deduction of related expenses of approximately HK$3,325,000) and the par value of shares issued of HK$158,346,000 has been credited to the share premium account. Details are set out in the announcement and circular dated 16 May 2017 and 16 June 2017.

All new ordinary shares issued during the year ended 30 June 2018 rank pari passu in all respects with the existing shares.

### (c) Capital reorganisation

Pursuant to an ordinary resolution passed at the special general meeting on 7 August 2018, the shareholders of the Company approved the capital reorganisation whereby every 20 issued and unissued shares of HK$0.05 were consolidated into 1 consolidated share of HK$1. Immediately upon the share consolidation became effective, the issued share capital of the Company was reduced by cancelling the paid up capital of the Company to the extent of HK$0.995 on each of the then issued consolidated shares such that the par value of each issued consolidated share was reduced from HK$1 to HK$0.005.

## 35. SHARE OPTION SCHEME

On 5 November 2010, the shareholders of the Company adopted a share option scheme (the "Scheme") which will expire on 4 November 2020 for the primary purpose of providing incentives to Eligible Participants (as defined below) for their contribution or potential contribution to the Group. Pursuant to the Scheme, the directors may grant options to Eligible Participants to subscribe for shares ("Shares") in the Company subject to the terms and conditions stipulated therein. A summary of the Scheme is as follows:

| | |
|---|---|
| Eligible Participants | Any full time or part time employees or potential employees, executives or officers (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers, who will or have contributed to the Company or its subsidiaries. |
| Total number of Shares available for issue under the Scheme | The total number of Shares which may be issued under the Scheme upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 10% of the Shares in issue as at the date of relevant shareholders' approval. |
| Total number of Shares available for issue for options granted under Scheme | At 30 June 2018, the number of Shares issuable under the Scheme for issue was 443,368,537 shares. |
| Maximum entitlement of each Eligible Participant | The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any twelve-month period up to and including the date of grant shall not exceed 1% of the number of Shares in issue at the date of grant. |
| Period under which the Shares must be taken up under an option | The period during which the options may be exercised will be determined by the board of directors of the Company at its absolute discretion, save that no option can be exercised more than 10 years after it has been granted and accepted. |
| Minimum period for which an option must be held before it can be exercised | The board of director of the Company may determine the minimum period for which an option must be held before it can be exercised. |
| Period within which payments/ calls/loans must be made/repaid | 28 days from the date of the offer of the options. |
| Basis of determining the exercise price | The exercise price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant, which must be a business day；(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant；and (iii) the nominal value of a Share. |
| The remaining life of the Scheme | The Scheme remains in force until 4 November 2020 unless otherwise terminated in accordance with the terms stipulated therein. |
| Amount payable on acceptance of the option | HK$1.0 |

## 35. SHARE OPTION SCHEME (*continued*)

Share options do not confer rights on the holders to dividends or to vote at the shareholders' meetings.

During the years ended 30 June 2018 and 2017, no option was granted, exercised or cancelled, nor were there any outstanding at the beginning and at the end of the year.

## 36. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) On 1 September 2017, the Group signed a sale and purchase agreement with an independent third party to acquire the entire equity interests in a subsidiary, Lately Focus at a cash consideration of HK$6,750,000. Lately Focus is an investment holding company holding a single investment in the entire equity interests in another company, Geoprime. Geoprime is another investment holding company holding the sole asset of 14% equity interests in an entity, Ecotaxi. Ecotaxi is principally engaged in provision of taxi service in the Phillippines. The acquisition was completed on 1 September 2017.

In the opinion of the directors of the Company, this acquisition did not constitute a business combination in accordance with HKFRS 3. As such the acquisition is in substance an acquisition of asset. The transaction was accounted for as an asset acquisition through acquisition of subsidiaries.

Fair value of assets and liabilities recognised at the date of acquisition are as follows:

| | *HK$'000* |
|---|---|
| Net assets acquired: | |
| Available-for-sale financial assets | 6,750 |
| Total consideration | 6,750 |
| Satisfied by: | |
| Deposit paid for year ended 30 June 2017 | 6,750 |
| Net cash outflow on acquisition of subsidiaries: | |
| Cash consideration paid | – |

## 36. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (*continued*)

(b) On 15 September 2017, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire interests in Aritza at a cash consideration of HK$4,700,000. Aritza is an investment holding company holding a single investment of 40% equity interests in an associate, One PR, which is principally engaged in provision of public relation services. The acquisition was completed on 15 September 2017.

In the opinion of the directors of the Company, the acquisition of Aritza did not constitute a business combination in accordance with HKFRS 3. As such the acquisition is in substance an acquisition of assets, the transaction was accounted for as acquisition of asset through acquisition of subsidiary.

Fair value of assets and liabilities recognised at the date of acquisition are as follows:

| | *HK$'000* |
|---|---|
| Net assets acquired: | |
| Interest in an associate | 4,700 |
| Total consideration | 4,700 |
| Satisfied by: | |
| Deposit paid for year ended 30 June 2017 | 4,700 |
| Net cash outflow on acquisition of subsidiaries: | |
| Cash consideration paid | – |

## 37. ACQUISITION OF SUBSIDIARIES

On 13 August 2015, the Group entered into an agreement with an independent third party to acquire the entire equity interest in Sang Woo (Kirin) Asset Management Limited (formerly known as Guardian Wealth Management Consultant Limited) and its subsidiary ("Sang Woo"), for a cash consideration of approximately HK$4,307,000. The acquisition was completed on 12 August 2016. Sang Woo is principally engaged in the provision of advising on securities and asset management services, which are licensed activities under the Securities and Futures Commission ("SFC") of Hong Kong. This acquisition was made as part of the Group's strategy to expand into and develop its asset management business which is essential for building an all-rounded financial services platform.

The fair values of the identified assets acquired and liabilities assumed in the above acquisition as at the date of acquisition were as follows:

| | *HK$'000* (Restated) |
|---|---|
| Net assets acquired: | |
| Trade and other receivables | 65 |
| Bank balances and cash | 121 |
| Trade and other payables | (120) |
| | 66 |
| Non-controlling interests | (17) |
| Goodwill *(note 17)* | 4,258 |
| Total consideration | 4,307 |
| Satisfied by: | |
| Cash consideration paid | 787 |
| Deposit paid during the year ended 30 June 2017 | 3,520 |
| | 4,307 |

Analysis of net cash flow of cash and cash equivalents arising on acquisition

| | |
|---|---|
| Cash consideration paid | (786) |
| *Less:* cash and cash equivalents acquired | 121 |
| Net cash outflow arising on acquisition | (665) |

## 37. ACQUISITION OF SUBSIDIARIES (*continued*)

Fair value and gross contractual amount of trade and other receivables as at the date of acquisition amounted to approximately HK$65,000, of which no receivables are expected to be uncollectible.

From the date of acquisition to 30 June 2017, Sang Woo has contributed net loss and revenue of approximately HK$42,000 and HK$Nil respectively to the Group. Had the acquisition been completed on 1 July 2016, total Group revenue for the year ended 30 June 2017 would have been approximately HK$87,518,000, and loss for the year would have been approximately HK$101,586,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2017, nor is it intended to be a projection of future results.

Goodwill arising from the acquisition of Sang Woo is attributable to the anticipated profitability of the provision of asset management business. None of the goodwill arising from this acquisition is expected to be deductible for tax purpose.

Acquisition-related costs arising from this acquisition of approximately HK$397,000 and HK$480,000 have been charged to the administrative expenses in the consolidated statement of profit or loss and other comprehensive income for years ended 30 June 2017 and 2016 respectively.

## 38. ACQUISITION FROM NON-CONTROLLING INTERESTS

During the year ended 30 June 2017, the Group acquired its interest in an indirect subsidiary, Kirin Wealth Management Limited from non-controlling interests through a partially-owned subsidiary. Since the Group has obtained the control over Kirin Wealth Management Limited upon the acquisition of Kirin Financial Group Limited and its subsidiaries on 24 August 2015, therefore, the Group recognised directly in equity of approximately HK$33,000 as other reserve, being the difference between the amount by which the non-controlling interests are adjusted of approximately HK$450,000 and the fair value of consideration paid of approximately HK$417,000, and attributed it to the shareholders of the Group.

## 39. DISPOSAL OF SUBSIDIARIES

(a) On 31 October 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in Easy Union and Huntop with an aggregate consideration of HK$1,200,000, consisting of the consideration of HK$2 for disposal of entire equity interests in these subsidiaries and HK$1,999,998 for sale of outstanding balances that due with the Group with an amount of approximately HK$55,278,000. The disposal was completed on 31 October 2017.

The asset and liabilities of Easy Union and Huntop at the date of disposal were as follows:

| | Easy Union | Huntop | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Property, plant and equipment | – | 12 | 12 |
| Trade and other receivables | 1,939 | 5,587 | 7,526 |
| Bank balances and cash | 346 | 1,628 | 1,974 |
| Trade and other payables | (10,405) | (12,086) | (22,491) |
| Amount due with group companies | (30,365) | (24,913) | (55,278) |
| Net assets disposed of | | | (68,257) |
| Release of exchange reserve upon disposals | | | (8,703) |
| Amount due to the Group assigned | | | 55,278 |
| Gain on disposal of subsidiaries (note 10(b)) | | | 22,882 |
| Total consideration | | | 1,200 |
| Satisfied by cash | | | 1,200 |
| Net cash outflow arising from disposal: | | | |
| Cash consideration received during the year | | | 1,200 |
| Less: Bank balances and cash disposed of | | | (1,974) |
| | | | (774) |

## 39. DISPOSAL OF SUBSIDIARIES (*continued*)

(b) On 8 February 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in Lately Focus at a cash consideration of HK$7,000,000. The disposal was completed on 8 February 2018.

The asset and liabilities of Lately Focus at the date of disposal were as follows:

| | **Total** |
|---|---|
| | *HK$'000* |
| Net assets disposed of: | |
| Available-for-sale financial assets | 6,750 |
| Gain on disposal of subsidiaries (note 10(a)) | 250 |
| Total consideration | 7,000 |
| Satisfied by cash | 7,000 |
| Net cash inflow arising from disposal: | |
| Consideration receivable as at 30 June 2018 *(note 25)* | 7,000 |

## 40. IMPAIRMENT LOSS ON DEPOSIT PAID

During the year ended 30 June 2018, the Group has paid an aggregate amount of approximately HK$903,000 for developing a customer relationship management system ("the CRM system") for the use of insurance brokerage and related service operation. In view of the continuous loss-making performance of the Group's insurance brokerage and related service operation, the directors considered the recoverable amount of deposit paid for the CRM system is minimal. Accordingly, full impairment loss of approximately HK$903,000 is recognised in these consolidated financial statements.

## 41. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangement, with leases negotiated for terms of 2 to 3 years. None of the leases includes contingent rentals. As at 30 June 2018 and 2017, the Group's total future minimum lease payments under non-cancellable operating leases for each of the following periods were:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Not later than one year | **5,294** | 3,814 |
| Later than one year and not later than five years | **2,830** | – |
| | **8,124** | 3,814 |

## 42. CAPITAL COMMITMENTS

The Group had the following capital commitments outstanding not provided for at the end of the reporting period:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Capital contribution to a joint venture (note 22) | **5,000** | 5,000 |
| Capital expenditure for the CRM system | **784** | – |
| | **5,784** | 5,000 |

## 43. RELATED PARTY TRANSACTIONS

Except those related party information disclosed elsewhere in the consolidated financial statements, the Group did not have any other material related party transactions during the year.

## 44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | **Other borrowings** | **Obligations under finance leases** | **Promissory notes** | **Corporate bonds** | **Total** |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2017 (Restated) | 5,000 | 812 | 40,000 | 167,881 | 213,693 |
| **Changes from financing cash flows:** | | | | | |
| Proceeds from new borrowings | 39,000 | – | – | – | 39,000 |
| Repayment of borrowings | (44,000) | – | – | – | (44,000) |
| Capital element of finance leases rentals paid | – | (644) | – | – | (644) |
| Interest element of finance lease rentals paid | – | (91) | – | – | (91) |
| Settlement of promissory notes | – | – | (26,500) | – | (26,500) |
| Proceeds from issue of corporate bonds | – | – | – | 96,913 | 96,913 |
| Expense on issue of corporate bonds | – | – | – | (11,715) | (11,715) |
| Repayment of corporate bonds | – | – | – | (103,062) | (103,062) |
| Total changes from financing cash flows | (5,000) | (735) | (26,500) | (17,864) | (50,099) |
| **Non-cash changes:** | | | | | |
| New finance leases | – | 284 | – | – | 284 |
| Finance charges on obligations under finance leases | – | 91 | – | – | 91 |
| Imputed interest expenses | – | – | – | 14,765 | 14,765 |
| Settlement of corporate bonds by offsetting with receivable balance | – | – | (10,330) | – | (10,330) |
| Total non-cash changes | – | 375 | – | 14,765 | 4,810 |
| At 30 June 2018 | – | 452 | 3,170 | 164,782 | 168,404 |

## 45. FINANCIAL INSTRUMENTS

### (A) Financial instruments by categories

| | Loans and receivables | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Assets** | | |
| Loan receivables | **282,554** | 141,033 |
| Consideration receivables | **7,000** | – |
| Deposits paid for livestocks | **2,657** | – |
| Trade and other receivables | **31,541** | 38,406 |
| Cash and bank balances | **10,436** | 22,091 |
| | **334,188** | 201,530 |

| | Financial liabilities at amortised cost | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Liabilities** | | |
| Trade and other payables | **37,899** | 44,076 |
| Borrowings | **–** | 5,000 |
| Obligations under finance leases | **452** | 812 |
| Promissory notes | **3,170** | 40,000 |
| Corporate bonds | **164,782** | 167,881 |
| | **206,303** | 257,769 |

## 45. FINANCIAL INSTRUMENTS (*continued*)

### (B) Financial risk management objective and policy

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and foreign currency risk), credit risk and liquidity risk arising in the normal course of its business and financial instruments. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as summarised below.

***(a) Market risk***

*(i) Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, due to the fluctuation of the prevailing market interest rate. It is the Group's policy to keep its bank balances at floating rate of interest so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to corporate bonds (see note 32 for details), and loan receivables (see note 24 for details).

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The directors of the Company consider that the interest rate risk in relation to variable bank balances are insignificant due to these balances are either within short maturity period or the outstanding balances are not significant.

*(ii) Foreign currency risk*

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of entities within the Group. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

## 45. FINANCIAL INSTRUMENTS (*continued*)

### (B) Financial risk management objective and policy *(continued)*

#### *(b) Credit risk*

As at 30 June 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to a failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loan receivables individually at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group has concentration of credit risk as 33% (2017: 54%) of the total trade receivables was due from the Group's five largest customers respectively.

The Group's policy requires the reviews of individual financial assets that are above materiality thresholds periodically. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the end of the reporting period on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses the anticipated receipts for that individual account.

## 45. FINANCIAL INSTRUMENTS (*continued*)

### (B) Financial risk management objective and policy *(continued)*

#### *(c) Liquidity risk*

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

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

| | Carrying amount | Contractual undiscounted cash flows | Within 1 year or on demand | Between 1-2 years | Between 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 30 June 2018** | | | | | | |
| Trade and other payables | 37,899 | 37,899 | 37,899 | – | – | – |
| Borrowings | – | – | – | – | – | – |
| Obligations under finance leases | 452 | 481 | 466 | 15 | – | – |
| Promissory notes | 3,170 | 3,170 | 3,170 | – | – | – |
| Corporate bonds | 164,782 | 196,626 | 157,072 | 13,054 | – | 26,500 |
| Total | 206,303 | 238,176 | 198,607 | 13,069 | – | 26,500 |

| | Carrying amount | Contractual undiscounted cash flows | Within 1 year or on demand | Between 1-2 years | Between 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Restated) | (Restated) | (Restated) | (Restated) | (Restated) | (Restated) |
| **At 30 June 2017** | | | | | | |
| Trade and other payables | 44,076 | 44,076 | 44,076 | – | – | – |
| Borrowings | 5,000 | 5,168 | 5,168 | – | – | – |
| Obligations under finance leases | 812 | 917 | 586 | 316 | 15 | – |
| Promissory notes | 40,000 | 41,486 | 41,486 | – | – | – |
| Corporate bonds | 167,881 | 176,389 | 110,166 | – | 52,726 | 13,497 |
| Total | 257,769 | 268,036 | 201,482 | 316 | 52,741 | 13,497 |

## 45. FINANCIAL INSTRUMENTS (*continued*)

### (C) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

#### *(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis*

During the years ended 30 June 2018 and 2017, there was no financial instrument of the Group that is measured at fair value and there were no transfers between Level 1 and 2 or transfers into or out of Level 3.

#### *(ii) Fair value of the Group's financial instruments that are not measured at fair value on a recurring basis*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, issue of corporate bonds and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital.

Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues as well as the issue of new debt.

## 47. EMPLOYEE RETIREMENT BENEFITS

The Group enrolled all Hong Kong employees in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The Group's subsidiaries operating in the PRC participate in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. These subsidiaries are required to contribute a specified percentage of its payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under these schemes.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$632,000 (2017: HK$703,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

## 48. MAJOR NON-CASH TRANSACTIONS

Apart from those disclosed elsewhere in these consolidated financial statements, during the year ended 30 June 2018, the Group acquired property, plant and equipment with an aggregate cost of approximately HK$1,942,000 (2017: HK$1,105,000) of which approximately HK$284,000 (2017: HK$416,000) was acquired by means of finance leases. Cash payment of approximately HK$1,658,000 (2017: HK$689,000) were made to purchase property, plant and equipment.

## 49. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

| | 2018<br>*HK$'000* | 2017<br>*HK$'000*<br>(Restated) |
|---|---|---|
| Non-current assets | | |
| Interests in subsidiaries | **282,399** | 137,792 |
| Deposits paid for acquisition of investments | **–** | 11,450 |
| | **282,399** | 149,242 |
| Current assets | | |
| Consideration receivables | **7,000** | – |
| Other receivables | **385** | 17,519 |
| Amount due from an associate | **115** | – |
| Cash and bank balances | **1,247** | 14,514 |
| | **8,747** | 32,033 |
| Current liabilities | | |
| Other payables | **19,293** | 18,535 |
| Borrowings | **–** | 5,000 |
| Corporate bonds | **141,544** | 104,931 |
| Promissory notes | **3,170** | 40,000 |
| Amounts due to subsidiaries | **4,422** | 9,559 |
| | **168,429** | 178,025 |
| Net current liabilities | **(159,682)** | (145,992) |
| Total assets less current liabilities | **122,717** | 3,250 |
| Non-current liability | | |
| Corporate bonds | **21,768** | 61,302 |
| Net assets/(liabilities) | **100,949** | (58,052) |
| Equity | | |
| Share capital *(note 34)* | **221,684** | 63,338 |
| Reserves *(note)* | **(120,735)** | (121,390) |
| Total equity | **100,949** | (58,052) |

The statement of financial position of the Company was approved and authorised for issue by the Board of directors on 28 September 2018 and are signed on its behalf by:

| | |
|---|---|
| **Chow Yik**<br>*Chairman* | **Leung King Fai**<br>*Director* |

## 49. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY (*continued*)

*Note:*

**Reserves**

| | Share premium | Accumulated losses | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2016 (Restated) | 253,563 | (184,623) | 68,940 |
| Loss for the year (Restated) | – | (190,330) | (190,330) |
| At 30 June 2017 and 1 July 2017 (Restated) | 253,563 | (374,953) | (121,390) |
| Issuance of shares from rights issue | 60,013 | – | 60,013 |
| Loss for the year | – | (59,358) | (59,358) |
| At 30 June 2018 | 313,576 | (434,311) | (120,735) |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 30 June 2018 and 2017 are as follows:

| | | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|---|
| Name | Place of incorporation/ operations | Issued and fully paid share capital/ registered capital | Group's effective interest | Held by the Company | Held by subsidiary | Principal activities |
| Philippines Dragon Limited | Hong Kong | HK$20 | 100% | – | 100% | Investment holding |
| Kirin Financial Group Limited | Hong Kong | HK$10,000 | 75% | – | 100% | Provision of advisory service |
| Kirin Wealth Management Limited | Hong Kong | HK$900,000 | 75% | – | 100% | Provision of insurance brokerage of service |
| Red Rabbit International Technology Inc. | Philippines | PHP2,500,000 | 51% | – | 51% | Provision of information technology service |
| Kirin Finance Limited | Hong Kong | HK$10,000 | 100% | – | 100% | Money lending |
| Sang Woo (Kirin) Asset Management Limited | Hong Kong | HK$22,630,000 | 75% | – | 100% | Provision of asset management service |
| Sang Woo (Kirin) Securities Limited | Hong Kong | HK$8,100,000 (2017: HK$7,700,000) | 100% | – | 100% | Provision of securities brokerage service |
| Kirin Capital International Limited | Hong Kong | HK$20,000,001 | 100% (2017: –) | – | 100% (2017: –) | Inactive |
| Kirin Immigration Services Limited | Hong Kong | HK$1 | 75% | – | 100% | Provision of consultancy service |
| 始興縣樂天農林開發有限公司 | The People's Republic of China | HK$5,100,000 | 100% | – | 100% | Sales of livestocks (2017: Not yet commenced business) |
| 北京科瑞易聯節能科技發展有限公司 | The People's Republic of China | HK$35,000,000 | – (2017: 100%) | – | – (2017: 100%) | Provision of energy saving services and sales of energy saving products |
| 北京科瑞天誠科技有限公司 | The People's Republic of China | HK$14,000,000 | – (2017: 100%) | – | – (2017: 100%) | Provision of energy saving services and sales of energy saving products |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (*continued*)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests.

| Name of subsidiary | Place of incorporation and principal place of business | Portion of ownership and voting rights held by non-controlling interests | | Profit/(loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | | | | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | | | | (Restated) | | (Restated) |
| Kirin Holdings Limited | Cayman Islands/ Hong Kong | **25%** | 25%(*) | **(4,648)** | (2,317) | **(10,207)** | (5,558) |
| Red Rabbit | Philippines | **49%** | 49% | **1,091** | 979 | **7,201** | 6,229 |
| | | | | **(3,557)** | (1,338) | **(3,006)** | 671 |

(*) Upon acquisition from non-controlling interests in an indirect subsidiary as disclosed in note 38, the ownership and voting rights held by non-controlling interests changed from 47.5% to 25% for the indirect subsidiary during the year ended 30 June 2017.

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (*continued*)

The summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group, before intragroup eliminations:

| | Kirin Holdings Limited | | Red Rabbit | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* (Restated) | ***HK$'000*** | *HK$'000* (Restated) |
| Current assets | **38,929** | 22,919 | **14,967** | 8,797 |
| Non-current assets | **7,017** | 8,940 | **3,812** | 7,362 |
| Current liabilities | **(86,764)** | (53,782) | **(3,913)** | (3,446) |
| Non-current liabilities | **(15)** | (311) | **(171)** | – |
| Equity attributable to owners of the Company | **(30,326)** | (16,676) | **7,494** | 6,484 |
| Non-controlling interests | **(10,207)** | (5,558) | **7,201** | 6,229 |
| Revenue | **63,248** | 80,926 | **8,954** | 7,620 |
| (Loss)/profit attributable to owners of the Company | **(13,947)** | (7,910) | **1,135** | 1,019 |
| (Loss)/profit attributable to non-controlling interests | **(4,648)** | (2,317) | **1,091** | 979 |
| (Loss)/profit for the year | **(18,595)** | (10,227) | **2,226** | 1,998 |
| Net cash inflow/(outflow) from operating activities | **4,949** | 1,414 | **(8)** | 3,218 |
| Net cash outflow from investing activities | **(1,658)** | (665) | **–** | – |
| Net cash (outflow)/inflow from financing activities | **(644)** | (537) | **–** | 3,312 |
| Net cash inflow/(outflow) | **2,647** | 212 | **(8)** | (94) |

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

## 51. EVENTS AFTER THE REPORTING PERIOD

Major events after the reporting period have been disclosed in note 34(c) to these consolidated financial statements.

# FINANCIAL SUMMARY

| | Years ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 | 2014 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| Results | | | | | |
| Revenue | **74,879** | 79,562 | 40,833 | 20,905 | 19,038 |
| Loss for the year | **(81,806)** | (101,536) | (68,168) | (22,046) | (26,094) |

| | As at 30 June | | | | |
|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 | 2014 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| **Assets and liabilities** | | | | | |
| Total assets | **358,167** | 283,250 | 229,722 | 104,449 | 80,247 |
| Total liabilities | **(209,061)** | (261,368) | (107,578) | (57,341) | (41,145) |
| Net assets | **149,106** | 21,882 | 122,144 | 47,108 | 39,102 |
| Share Capital | **221,684** | 63,338 | 63,338 | 11,377 | 10,418 |
| Reserves | **(69,572)** | (42,127) | 56,715 | 34,246 | 24,727 |
| Total equity attributable to equity shareholders of the Company | **152,112** | 21,211 | 120,053 | 45,623 | 35,145 |
| Non-controlling interests | **(3,006)** | 671 | 2,091 | 1,485 | 3,957 |
| Total equity | **149,106** | 21,882 | 122,144 | 47,108 | 39,102 |