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

2019
Annual Report

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)*
Mr. Wang Hongtao (appointed on 21 February 2019)
Dr. Ma Jun (retired on 5 November 2018)
Mr. Leung King Fai (resigned on 1 March 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Chi Ho, Dennis
Ms. Chan Sin Wa, Carrie
Mr. Chung Shu Kun, Christopher
Mr. Wang Rongqian (appointed on 3 April 2019)

COMPLIANCE OFFICER

Mr. Chow Yik (appointed on 5 November 2018)
Dr. Ma Jun (retired on 5 November 2018)

COMPANY SECRETARY

Mr. Chow Kai Cheong Isaac (appointed on 22 March 2019)
Mr. Tse Fung Chun (appointed on 1 March 2019 and resigned on 22 March 2019)
Mr. Leung King Fai (resigned on 1 March 2019)

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

Mr. Chow Yik (appointed on 5 November 2018)
Mr. Chow Kai Cheong Isaac (appointed on 22 March 2019)
Mr. Tse Fung Chun (appointed on 1 March 2019 and resigned on 22 March 2019)
Dr. Ma Jun (retired on 5 November 2018)
Mr. Leung King Fai (resigned on 1 March 2019)

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 54, 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

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 2019.

REVIEW OF RESULTS

For the year ended 30 June 2019, the Group's revenue was approximately HK$97,309,000. The Group recorded a net loss of approximately HK$49,249,000 for the year ended 30 June 2019.

BUSINESS OPERATION

The Group was principally engaged in: (a) provision of insurance brokerage services in Hong Kong; (b) provision of money lending services in Hong Kong; and (c) provision of assets management and securities brokerage services in Hong Kong during the year ended 30 June 2019.

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

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 issuance of 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 the staff for their dedication and hardworking throughout the year.

Chow Yik
Chairman
Hong Kong, 30 September 2019

BUSINESS REVIEW

The Group was principally engaged in: (a) provision of insurance brokerage services in Hong Kong; (b) provision of money lending services in Hong Kong; and (c) provision of assets management and securities brokerage services in Hong Kong during the year ended 30 June 2019.

In 2015, the Group entered into the financial and insurance brokerage industries by way of acquisition of the entire issued capital of Kirin Financial Group Limited ("KFG") and Kirin Finance Limited ("Kirin Finance") which are principally engaged in insurance brokerage and money lending business respectively in Hong Kong.

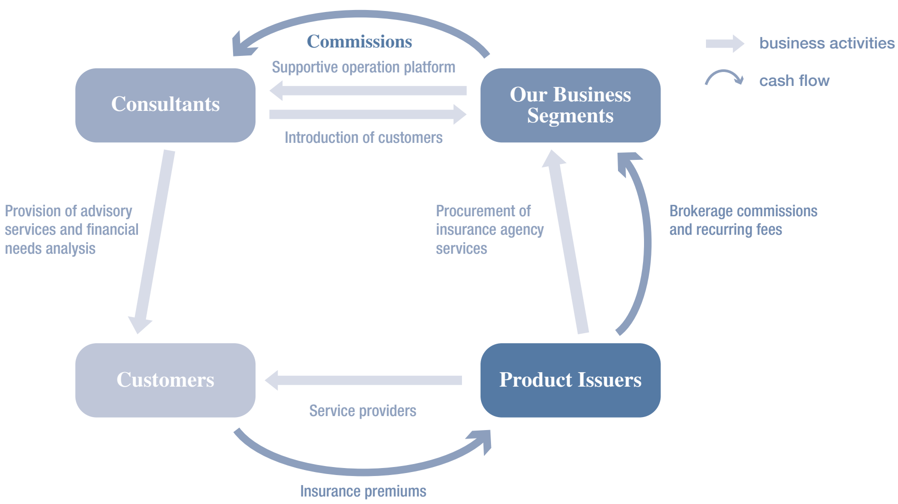
The Directors consider that the transformation can generate long-term return to the Group and shareholders.

Insurance Brokerage Business

Kirin Wealth Management Limited ("KWM"), a subsidiary of KFG which is principally engaged in the provision of insurance brokerage services. KWM holds a license issued by Professional Insurance Brokers Association ("PIBA"). There are 38 back-office staff members and 60 consultants in the insurance brokerage and related services (the "Insurance Brokerage Business").

Business model

The diagram below demonstrates the business model of the Insurance Brokerage Business:



Major Product Issuers

The Group had built up a network with not less than 30 products issuers. Major product issuers of the Insurance Brokerage Business are local branches of nationwide insurance companies.

The commission income paid by the major product issuers to the Group accounted for approximately 39%, 68%, 64% and 76% of the Group's revenue for the four financial years ended 30 June 2016, 2017, 2018 and 2019 respectively.

Consultants

There are 60 consultants who are capable for providing insurance advisory services and financial needs analysis to the clients (the "Consultants"). The job duties of the Consultants are promotion, arrangement, and sale of the insurance plan provided by the product issuers. Most of the Consultants are licensed under Professional Insurance Brokers Association.

Insurance products

Traditional life insurance plans are the major insurance products promoted by KWM. Moreover, KWM also acts as an independent broker for general and investment-linked insurance products in the course of providing advisory services to the clients.

After-sales services

After-sale services are performed by the Consultants and the client servicing department of the Group to handle the clients' enquiries or complaints through telephone calls or e-mails.

In the mid-2018, the Group built and installed our own after-sales service platform – customer relationship management system (the "CRM system"). In order to strengthen the relationship with the clients, the Consultants are able to keep track of the clients' information, enquiries, complaints and their own portfolio through the CRM system. As such, it allows the Consultants to follow up and response to the client's requests or enquiries on a 24/7 basis.

Prospects

During the year ended 30 June 2019, the revenue of Insurance Brokerage Business is approximately HK$74,209,000 (2018: approximately HK$47,862,000). The revenue has significantly increased 55% compared to previous year as the Directors considered that (i) the business strategy on marketing and promotion conducted previously has taken a positive effect during the year ended 30 June 2019; and (ii) more attractive rates were offered to the insurance brokers.

In the near future, we plan to further implement different strategies to strengthen the brand recognition and revenue stream of the Insurance Brokerage Business. To achieve our goals, we have established a professional and experienced management team to guide and manage the Consultants team. Moreover, a training department has established to provide regular training courses to the Consultants and they must participant in the courses arranged by us. Every quarter we will provide an in-house CPD course for the Consultants, which takes 2 – 3 hours of each course. The Consultants will further enhance their technology capabilities through our regular training course. For our training, we will provide up-to-date insurance brokers ethics and regulatory, mandatory provident fund up-to-date rules and regulations and also Anti Money Laundering and Combating the Financing of Terrorism in Hong Kong.

With the help of the multi-dimensional advertisements and promotions implemented from time to time, the Group will be benefited from having more market shares, expanding its customer base, building up reputation and goodwill in Hong Kong and Southern China. The brand of "Kirin Group" becomes more and more well-known and trustworthy. It is not only benefit to the Insurance Brokerage Business but also the Money Lending Business. Most importantly, the revenue of the Group is in an upward trend.

In the future, the Group will continue to put efforts on marketing and may expand the brand building activities and business development in the Guangdong-Hong Kong-Macao Greater Bay Area.

Money Lending Business

Business Overview

The Company conducts its money lending business in Hong Kong ("Money Lending Business") through its wholly-owned subsidiary, i.e. Kirin Finance. The Money Lending Business is principally engaged in the provision of personal loans to individual clients without securities.

The Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong) (the "Statutes") are the principal laws governing money lending business in Hong Kong. The Statutes stipulate that no person shall carry on business as a money lender without a licence under the Money Lenders Ordinance ("Money Lenders Licence"). Kirin Finance commenced its money lending business in 2015 after obtaining its Money Lenders Licence and has been operating as a licensed money lender since then.

Kirin Finance provides clients with term loans for periods up to 18 months. Kirin Finance enters into loan agreement with its clients, which sets out, amongst others, date of the agreement, the parties, principal amount, interest rates, maturity date and events of default. Upon maturity, the loan may be renewed after assessment on the client's ability to repay, funds on hand of Kirin Finance and the prevailing market sentiment.

During the year ended 30 June 2019, the Money Lending Business recorded revenue of approximately HK$18,412,000 which represents an increase of approximately 3% as compared to previous year (2018: approximately HK$17,855,000).

Business Model

Kirin Finance generates revenue from interest received from the provision of personal loans to its individual clients with or without collateral or securities.

The Money Lending Business has rigorous assessment procedure on each loan application. Background check and credit assessment will be performed on the client by staff of financing department before granting the loan. Kirin Finance will only grant loans when it is satisfied with the recoverability of the loan after considering the financial strength and credibility of the client as well as the amount of loan to be granted.

Kirin Finance does not advertise the Money Lending Business in public media. Instead, clients are referred by the Insurance Brokerage Business, whilst the Loan Review & Approval Department is responsible for processing loan applications and managing credit exposure of Kirin Finance. The Directors believe that by the close interaction between different departments, Kirin Finance is able to process and grant loans to suitable clients in an expedited manner with competitive lending rates.

Credit assessment

Before granting loans to any client, credit assessment for loan applicants must be completed. In assessing creditworthiness, Kirin Finance focuses primarily on the applicant's financial background, occupation, credit history, repayment history for returning clients, which help Kirin Finance to assess the client's repayment ability. Kirin Finance may also obtain credit history of loan applicants by credit search with external credit reporting agencies.

Since loans to be granted by Kirin Finance are unsecured in nature and impose higher credit risk on the Group, Kirin Finance will approve such loan only in circumstances where it is satisfied with the recoverability of the loan after considering the financial strength and credibility of the client as well as the amount of loan to be granted.

Risk disclosure

Before signing the loan agreement with the client, besides going through the terms in the loan agreement, staff of Kirin Finance will also draw client's attention to Part III and Part IV of the Money Lenders Ordinance, which relate to, amongst others, duty of money lender to give information to borrower, early payment by borrower and prohibition of excessive interest rates.

Credit policy

Kirin Finance approves credit line for each loan applicant on a case-by-case basis, which is largely up to its credit assessment results as well as the prevailing market conditions. Credit line stands for the maximum amount of loan which is allowed for a client in one lump sum or in installments. The higher the credit line, the more stringent will the approval process be.

Compliance with GEM Listing Rules

Before granting any loan to loan applicants, size tests calculation will be performed by the financial controller of the Company. Announcement will be made by the Company in accordance with GEM Listing Rules as and when appropriate.

Post-lending Monitoring

The Loan Review & Approval Department will conduct review on each outstanding loan every year. If any material deterioration in the client's financial position is identified, Kirin Finance may demand for immediate repayment. Kirin Finance will first negotiate with the client on repayment of the loan, if failed, legal proceedings against such client will be the last resort.

Prospects

The amount of loans granted in Hong Kong by all authorised institutions showed a moderate increase during the last couple of years. Besides banks and financial institutions, there are lots of licensed money lenders in Hong Kong, including Kirin Finance, which grant loans to loan applicants.

The Directors consider the industry entry barrier to be limited for the Money Lending Business in view of the lack of regulator. It is difficult for Kirin Finance to stand out among its competitors considering the keen competition brought by the large number of industry participants. Accordingly, the Company does not plan to devote its greatest resources to strengthen the marketing and promotion of the brand image of Kirin Finance as it will incur a very high marketing cost for the Group. Instead, Kirin Finance will (i) enhance its service to cater for clients' specific borrowing needs; (ii) continue to build up its reputation as a reliable and professional money lender in Hong Kong; and (iii) provide aggressive interest rates to attract more new clients. Kirin Finance may also consider granting loans with collaterals to mitigate and control its credit risks.

In view of the expected fluctuations in China and global market, the Company will maintain the status quo of the Money Lending Business and adopt a more cautious and prudent approach before granting loans to potential clients.

Assets management and securities brokerage services

Sang Woo (Kirin) Securities Limited ("Kirin Securities"), a subsidiary of the Company, holds licenses to carry out type 1 and type 4 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This subsidiary provides securities brokerage services by acting as placing agent and joint lead manager for clients in the securities related business.

Kirin Securities acts as a placing agent or a sub-placing agent for companies listed on the Stock Exchange for their fund raising activities such as placing of new and/or existing shares, and debt securities. The placing service primarily generate fee and commission from equity and bond placing. The placing commission charged by Kirin Securities is subject to negotiation and is generally in line with market practice.

The Group had a plan to start securities business in 2016. In May 2017, the licenses of Kirin Securities were granted by the SFC and the Group has well equipped its trading system in 2018 and started to provide trading services to the clients. In a prudent manner, the Group does not provide margin financing for the time being. Having broad connection and rich experiences of the existing management, Kirin Securities started to act as a joint lead manager for an initial public offering ("IPO") for the first time. The commission of the IPO is 8%, which brings approximately HK$4,200,000 revenue to Kirin Securities during the year ended 30 June 2019. This transaction initiates a good start in the securities related business.

IT Business

Besides the factors disclosed in the 2018 Annual Report (i.e. uncertain political conditions and change in government policy in the Philippines), the Company decided to dispose of the subsidiary engaging in the IT Business so as to streamline its business segments. On 27 December 2018, the company announced a disclosable transaction in relation to the disposal of interest in Red Rabbit International Technology, Inc. and it was completed on 31 December 2018. The Company intends to devote its resources to other business sector to find more investment opportunities with better return for its shareholders.

Livestock Business

The Company has strived hard to expand and develop the livestock business. However, since the outbreak of African swine fever, it has hit farms and the whole industry of livestock in Mainland China. Therefore, the livestock business has generated minimal revenue in 2018. In view of the outlook for the livestock industry being uncertain, the Company decided to gradually scale down the livestock business. During the year ended 30 June 2019, the livestock business did not record any revenue. As such, a scale down of the livestock business would only bring minimal impact to the Group. Subsequent to 30 June 2019, the Group has disposed of the livestock business. Details are set out in note 45 to the consolidated financial statements – Events after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 30 June 2019, the Group's turnover was approximately HK$97,309,000, representing an increase of approximately HK$22,430,000 or 30% as compared to the previous year (2018: approximately HK$74,879,000). The increase was mainly due to the more business were brought by the channel of the insurance brokerage services and the contribution of the 8% commission of the IPO from the start up business of assets management and securities brokerage services as mentioned in business overview.

Distribution costs for the year ended 30 June 2019 was approximately HK$8,489,000, representing a decrease of approximately HK$2,183,000 as compared to approximately HK$10,672,000 for the year ended 30 June 2018. The significant decrease was mainly due to the execution of our business plan to control the distribution costs.

Administrative expenses for the year ended 30 June 2019 was approximately HK$38,735,000, representing a decrease of approximately HK$30,381,000 as compared to the previous year (2018: approximately HK$69,116,000). In order to maximise the profit of the Group, the Directors has strictly executed cost saving strategy since 1 July 2018 and the significant decrease was mainly due to reduction of entertainment, consultancy service fee, depreciation and professional fee.

The finance costs for the year ended 30 June 2019 increased slightly by approximately 7% to approximately HK$33,156,000, as compared to previous year (2018: approximately HK$30,956,000). Increase in finance costs was mainly due to the increase of interest expenses on corporate bonds.

The Group recorded a loss of approximately HK$49,249,000 for the year ended 30 June 2019, representing a decrease of 40% as compared to the previous year (2018: approximately HK$81,806,000).

Loss per share for the year ended 30 June 2019 was HK$20.94 cents (2018: HK$38.24 cents).

Trade and other receivables increased from approximately HK$33,697,000 for the year ended 30 June 2018 to approximately HK$45,050,000 for the year ended 30 June 2019. The increase was mainly due to increased in interest receivable as the increase of loan receivable.

Trade and other payables increased from approximately HK$38,199,000 for the year ended 30 June 2018 to approximately HK$60,678,000 for the year ended 30 June 2019. The increase was mainly due to advance from certain third party and increase in payable of the service provider.

FINANCIAL POSITION

As at 30 June 2019, the net assets and net current assets was approximately HK$86,852,000 and HK$90,080,000 respectively (2018: approximately HK$149,106,000 and HK$151,637,000 respectively) of which approximately HK$11,540,000 were cash and cash equivalents (2018: approximately HK$10,436,000).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank balances as at 30 June 2019 was approximately HK$11,540,000 (2018: approximately HK$10,436,000). As at 30 June 2019, the Group current ratio was 1.34 (2018: 1.82), comprised current assets of approximately HK$352,997,000 and current liabilities of approximately HK$262,917,000. The gearing ratio was approximately 3.2 (2018: 1.4) as at 30 June 2019, which was computed as total liabilities of approximately HK$279,744,000 (2018: approximately HK$209,061,000) divided by total equity of approximately HK$86,852,000 (2018: approximately HK$149,106,000).

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in note 31 to the consolidated financial statements.

CAPITAL COMMITMENTS

Details of capital commitments of the Group as at 30 June 2019 are set out in note 36 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 30 June 2019, 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 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 arises.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 48 (2018: 46) full-time employees. Staff costs for the year ended 30 June 2019 was approximately HK$22,742,000 (2018: approximately HK$22,600,000).

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

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 45 to the consolidated financial statements.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 30 June 2019 (2018: Nil).

PLEDGE OF ASSETS

Save as the finance leases disclosed in note 27 to the consolidated financial statements, as at 30 June 2019 and 2018, none of the assets of the Group has been pledged.

BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. CHOW Yik

Mr. Chow Yik, aged 38, 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, the shares of which are listed on the GEM of Stock Exchange from January 2011 to May 2016.

Mr. WANG Hongtao

Mr. Wang Hongtao, aged 41, graduated from Hubei University with a bachelor's degree in Engineering. He has over 20 years in media, arts and culture development. At present, Mr. Wang is the Chairman of Zhong Shi Zhi Jue (Beijing) Advertising Company Limited and the Chairman of Hua Xia Chuan Shi Cultural Development Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Chi Ho, Dennis

Mr. Ng Chi Ho, Dennis, aged 61, 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 China City Infrastructure Group Limited, the shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Media Asia Group Holdings Limited and L&A International Holdings Limited, the shares of which are listed on the GEM of the Stock Exchange.

Ms. CHAN Sin Wa, Carrie

Ms. Chan Sin Wa, Carrie, aged 40, 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 62, 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.

Mr. WANG Rongqian

Mr. Wang Rongqian, aged 37, holds a bachelor's degree in laws from the Central South University of China and a master's degree in corporate and financial laws from the University of Hong Kong. Mr. Wang has extensive experience in the areas of project management, corporate finance, commercial trade and compliance. Mr. Wang is currently an executive director of Code Agriculture (Holdings) Limited and an independent non-executive director of CL Group (Holdings) Limited, the shares of which are listed on the GEM of the Stock Exchange.

for identification purpose only

The board of directors (the "Board") has pleasure in presenting the annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2019.

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 2019 are set out in note 44 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2019 and the state of the affairs of the Group as at that date are set out in the consolidated financial statement on pages 32 to 123.

SHARE CAPITAL AND RESERVES

As at 30 June 2019, the total number of shares issued by the Company was 221,684,268. Details of the capital structure of the Company are set out in note 31 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 36.

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 consolidated financial statements of the Company, is set out on page 124. This summary does not form part of the audited consolidated 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 16 to the consolidated 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 (the "Shares") 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 32 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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the year ended 30 June 2019, there were no transactions needed be disclosed as connected transactions in the consolidated 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 2019 have been reviewed by the audit committee of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2019, 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 2019.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 30 June 2019 (the "Reporting Period") and up to the date of this report were:

Executive directors:
Mr. Chow Yik *(Chairman)*
Mr. Wang Hongtao (appointed on 21 February 2019)
Dr. Ma Jun (retired on 5 November 2018)
Mr. Leung King Fai (resigned on 1 March 2019)

Independent non-executive directors:
Mr. Ng Chi Ho, Dennis
Ms. Chan Sin Wa, Carrie
Mr. Chung Shu Kun, Christopher
Mr. Wang Rongqian (appointed on 3 April 2019)

Pursuant to Bye-Law 84(1) of the Company's Bye-Laws, Mr. Chow Yik and Mr. Ng Chi Ho, Dennis shall retire by rotation at the forthcoming annual general meeting (the "AGM") of the Company and all of them, being eligible, have offered themselves for re-election.

Pursuant to Bye-Law 83(2) of the Company's Bye-Laws, Mr. Wang Hongtao and Mr. Wang Rongqian shall retire at the forthcoming AGM of the Company and all of them, being eligible, have offered 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 12a and 12b to the consolidated 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 AGM 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

Save as disclosed below, as at 30 June 2019, 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:

Long position in the Shares

Name	Capacity/Nature of interest	Number of ordinary shares held/ interested in	Percentage of interest in the Company
Mr. Wang Hongtao	Beneficial owner	315,000	0.14%

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

Save as disclosed below, as at 30 June 2019, 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 5% 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:

Long position in the Shares

Name	Capacity/Nature of interest	Number of ordinary shares held/ interested in	Percentage of interest in the Company
Button Hill Limited	Beneficial owner	30,472,041	13.74%
Sino Ahead Holdings Limited	Interest in a controlled corporation	30,472,041	13.74%
Mr. Hui Chi Kwan	Interest in a controlled corporation	30,472,041	13.74%

Notes:

(1) The interest disclosed represents the corporate interest in 30,472,041 shares held by Button Hill Limited, which is wholly owned by Sino Ahead Holdings Limited.

(2) The interest disclosed represents the corporate interest in 30,472,041 shares held by Sino Ahead Holdings Limited, which is wholly owned by Mr. Hui Chi Kwan.

(3) 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 and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporations" 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 2019, 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	17%
– five largest suppliers combined	60%
Sales	
– the largest customer	24%
– five largest customers combined	71%

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.

MAJOR EVENTS DURING THE REPORTING PERIOD

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 and circular dated 26 June 2018, 17 July 2018 and 7 August 2018.

Disposal of subsidiaries

On 28 December 2018, 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 information technology services in the Philippines at an aggregate cash consideration of HK$3.8 million. Details are set out in the announcements dated 28 December 2018. The transaction was completed on 31 December 2018.

REPORT OF THE DIRECTORS

Placing of convertible bonds

On 4 June 2019, the Company proposes to offer for subscription, and China Rich Securities Limited (the "Placing Agent") has agreed to procure subscriptions for, up to HK$171,000,000 3-year 2% unsecured non-redeemable convertible bonds to be issued by the Company in denomination of HK$1,000,000 each with the benefit of and subject to the provisions of the CB Instrument (the "Convertible Bond") on a best-effort basis on the terms and subject to the conditions in the placing agreement dated 4 June 2019 entered into between the Company and the Placing Agent in relation to the Placing (the "Placing Agreement"). The placing of the convertible bonds has been approved by the shareholders of the Company at the special general meeting held on 17 July 2019 and it is in progress and not yet completed up to the reporting date.

Details are set out in the announcements and circular dated 4 June 2019, 2 July 2019 and 17 July 2019.

CORPORATE GOVERNANCE CODE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 27 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 consolidated financial statements were audited by Jonten Hopkins CPA Limited who retire and, being eligible, offer themselves for reappointment at the forthcoming AGM.

On behalf of the Board
Chow Yik
Chairman

Hong Kong, 30 September 2019

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 2019.

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 two executive Directors and four independent non-executive Directors. Biographies of all the Directors and the relationships (if any) among them are set out on page 12 of this annual report.

The executive Directors are Mr. Chow Yik and Mr. Wang Hongtao. The Company also appointed four 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, Mr. Chung Shu Kun, Christopher and Mr. Wang Rongqian 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 *(Chairman)*	Yes
Mr. Wang Hongtao (appointed on 21 February 2019)	Yes
Dr. Ma Jun (retired on 5 November 2018)	Yes
Mr. Leung King Fai (resigned on 1 March 2019)	Yes
Independent non-executive directors	
Mr. Ng Chi Ho, Dennis	Yes
Ms. Chan Sin Wa, Carrie	Yes
Mr. Chung Shu Kun, Christopher	Yes
Mr. Wang Rongqian (appointed on 3 April 2019)	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.

CORPORATE GOVERNANCE REPORT

ATTENDANCE OF INDIVIDUAL DIRECTORS AT BOARD MEETINGS FOR THE YEAR ENDED 30 JUNE 2019

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 ten 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 *(Chairman)*	10/10
Mr. Wang Hongtao (appointed on 21 February 2019)	3/3
Dr. Ma Jun (retired on 5 November 2018)	0/3
Mr. Leung King Fai (resigned on 1 March 2019)	7/7
Independent non-executive directors	
Mr. Ng Chi Ho, Dennis	10/10
Ms. Chan Sin Wa, Carrie	10/10
Mr. Chung Shu Kun, Christopher	10/10
Mr. Wang Rongqian (appointed on 3 April 2019)	2/2

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 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 2019 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 2019, 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

NOMINATION OF THE DIRECTORS

The Company established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee currently comprises 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 2019, Nomination Committee reviewed the existing composition of the Board and senior management.

The Nomination Committee held 2 meetings during the year ended 30 June 2019. 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 consolidated financial statements of the Group. The Directors ensured in preparing of the consolidated 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 consolidated financial statements of the Group is set out in the Independent Auditor's Report.

AUDITORS' REMUNERATION

For the year ended 30 June 2019, approximately HK$970,000 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 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 2019:

– 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 consolidated financial statements and final results announcement for the year ended 30 June 2018;

– reviewing the interim report and the interim results announcement for the six months ended 31 December 2018;

– reviewing the quarterly reports and the quarterly results announcement for the three months ended 30 September 2018 and nine months ended 31 March 2019, respectively; and

– meeting with the auditors to go through any significant audit issues or key findings noted during the audit of the Group's 2018 final results and before the commencement of the audit of the Group's 2019 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 2019, 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 2019, 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

The company secretary, Mr. Chow, Kai Cheong Isaac ("Mr. Chow"), was appointed by the Board on 22 March 2019. Mr. Chow is nominated by an external service provider to assist in company secretarial affairs 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. Chow 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 2019. The Company's auditor has also attended the AGM during the year ended 30 June 2019.

Two of the independent non-executive Directors, for the time when the general meetings were held during the year ended 30 June 2019, had other business engagements and thus, were not able to attend most general meetings held during the year ended 30 June 2019. 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 2019 is as follows:

	AGM	**SGM**
Number of meetings	1	1
Executive directors:		
Mr. Chow Yik *(Chairman)*	1/1	1/1
Mr. Wang Hongtao (appointed on 21 February 2019)	0/0	0/0
Dr. Ma Jun (retired on 5 November 2018)	0/1	0/1
Mr. Leung King Fai (resigned on 1 March 2019)	1/1	1/1
Independent non-executive directors:		
Mr. Ng Chi Ho, Dennis	1/1	0/1
Ms. Chan Sin Wa, Carrie	0/1	1/1
Mr. Chung Shu Kun, Christopher	0/1	1/1
Mr. Wang Rongqian (appointed on 3 April 2019)	0/0	0/0

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 (the "SGM")

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 SGM 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 AGM or SGM

The number of shareholders necessary for putting forward a proposal at the AGM or SGM 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.

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 32 to 123, which comprise the consolidated statement of financial position as at 30 June 2019, 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 2019, 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 relates to estimated provision of expected credit losses for loan and interest receivables.

Key Audit Matter	*How our Audit Addressed the Key Audit Matter*
Estimated provision of expected credit losses for loan and interest receivables Refer to Note 4 (Critical accounting judgements and key sources of estimation uncertainty), Note 22 (Loan receivables) and Note 24 (Interest receivables) to the consolidated financial statements. As at 30 June 2019, the Group's net carrying amount of loan and interest receivables amounted to approximately HK$292,790,000 and HK$29,810,000 respectively. Loss allowance for loan and interest receivables under the expected credit loss ("ECL") amounted to approximately HK$18,518,000 and HK$1,285,000, respectively. Management assessed the loss allowance for loan and interest receivables based on the estimation of ECL using a provision matrix. In developing the loss allowance of loan and interest receivables, management use judgement in making the assumptions about the probability of default and loss given default with reference to the historical settlement of loans portfolio, credit assessment of customers and current and forward-looking information on macroeconomic factors. 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 estimated provision of expected credit losses for 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: Understanding, evaluating and validating the internal controls over the estimated provision of expected credit losses for 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; 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; Involving the valuation specialist to review the valuation methodology and approach adopted by management in the ECL assessment; Evaluating the reasonableness of management's determination of allowance for credit losses for credit impaired loan and interest receivables with reference to the historical settlement experience, subsequent settlements, future expected settlement plan and credit assessment of customers; and Re-performing management's calculation of loss allowance under ECL model which grouped together all the receivables with similar risk characteristics and based on the probability of default, exposure at default and loss given default.

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
30 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Continuing operations			
Revenue	*5*	**97,309**	74,879
Cost of sales and services		**(67,282)**	(41,450)
Other income	*7*	**89**	38
Distribution costs		**(8,489)**	(10,672)
Administrative expenses		**(38,735)**	(69,116)
Impairment loss on property, plant and equipment	*16*	**(10)**	(3,012)
Impairment loss on interest in an associate	*20*	**(2,617)**	–
Impairment loss on loan receivables	*22*	**(4,802)**	–
Impairment loss on trade and other receivables	*24*	**(841)**	(956)
Impairment loss on deposit paid		**(335)**	(903)
Impairment loss on goodwill	*18*	**–**	(24,963)
Net realised loss on disposal of financial assets at fair value through profit or loss		**–**	(1)
Share of result of an associate	*20*	**394**	2,073
Finance costs	*8*	**(33,156)**	(30,956)
Loss before taxation from continuing operations	*9*	**(58,475)**	(105,039)
Taxation	*10*	**(1,043)**	(734)
Loss for the year from continuing operations		**(59,518)**	(105,773)
Discontinued operations			
Profit for the year from discontinued operations	*11*	**10,269**	23,967
Loss for the year		**(49,249)**	(81,806)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations	*13*	**489**	(626)
Release of translation reserve upon disposal of subsidiaries	*34*	**(793)**	(8,703)
Other comprehensive expense for the year		**(304)**	(9,329)
Total comprehensive expense for the year		**(49,553)**	(91,135)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Loss for the year attributable to:			
– Equity shareholders of the Company		**(46,416)**	(78,249)
– Non-controlling interests		**(2,833)**	(3,557)
		(49,249)	(81,806)
Total comprehensive (expense) income for the year attributable to:			
– Equity shareholders of the Company			
– continuing operations		**(56,196)**	(102,722)
– discontinued operation		**9,476**	15,264
		(46,720)	(87,458)
– Non-controlling interests			
– continuing operations		**(2,833)**	(3,677)
		(49,553)	(91,135)
Loss per share	*15*		
From continuing and discontinued operations			
Basic and diluted		**(20.94) cents**	(38.24) cents
From continuing operations			
Basic and diluted		**(25.66) cents**	(49.95) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**3,885**	4,994
Prepaid lease payment	17	**2,322**	2,556
Goodwill	18	**2,842**	2,842
Intangible assets	19	**–**	3,420
Deposits paid for rental		**–**	1,119
Interest in an associate	20	**4,550**	6,773
Interest in a joint venture	21	**–**	–
		13,599	21,704
CURRENT ASSETS			
Prepaid lease payment	17	**117**	119
Deposits paid for livestocks		**–**	2,657
Loan receivables	22	**292,790**	282,554
Consideration receivables	23	**3,500**	7,000
Trade and other receivables	24	**45,050**	33,697
Cash and bank balances	25	**11,540**	10,436
Total current assets		**352,997**	336,463
CURRENT LIABILITIES			
Trade and other payables	26	**60,678**	38,199
Obligations under finance leases	27	**15**	437
Promissory notes	28	**–**	3,170
Corporate bonds	29	**201,156**	140,733
Current tax payable		**1,068**	2,287
Total current liabilities		**262,917**	184,826
NET CURRENT ASSETS		**90,080**	151,637
TOTAL ASSETS LESS CURRENT LIABILITIES		**103,679**	173,341

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	*27*	–	15
Corporate bonds	*29*	**16,827**	24,049
Deferred tax liability	*30*	–	171
		16,827	24,235
NET ASSETS		**86,852**	149,106
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	*31*	**1,108**	221,684
Reserves		**98,784**	(69,572)
		99,892	152,112
Non-controlling interests		**(13,040)**	(3,006)
TOTAL EQUITY		**86,852**	149,106

The consolidated financial statements on pages 32 to 123 were approved and authorised for issue by the Board of directors on 30 September 2019 and are signed on its behalf by:

Chow Yik
Chairman

Wang Hongtao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Contributed surplus	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*	*HK$'000*
At 1 July 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 *(note 34a)*	–	–	–	(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 33b)*	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
Transitional adjustment on the initial application of HKFRS 9 *(note 2.1)*	–	–	–	–	–	(5,500)	(5,500)	–	(5,500)
Adjusted as at 1 July 2018	221,684	313,576	–	219	30	(388,897)	146,612	(3,006)	143,606
Loss for the year	–	–	–	–	–	(46,416)	(46,416)	(2,833)	(49,249)
Disposal of a subsidiary *(note 34c)*	–	–	–	–	–	–	–	(7,201)	(7,201)
Exchange difference arising from translation of financial statements of foreign operations	–	–	–	489	–	–	489	–	489
Release of translation reserve upon disposal of subsidiaries *(note 34c)*	–	–	–	(793)	–	–	(793)	–	(793)
Total comprehensive expense for the year	–	–	–	(304)	–	(46,416)	(46,720)	(10,034)	(56,754)
Cancellation of paid-up capital *(note 31)*	(220,576)	–	220,576	–	–	–	–	–	–
Reduction of share premium and transfer to contributed surplus *(note 31)*	–	(313,576)	313,576	–	–	–	–	–	–
At 30 June 2019	1,108	–	534,152	(85)	30	(435,313)	99,892	(13,040)	86,852

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
(Loss)/Profit before taxation			
– From continuing operations		**(58,475)**	(105,039)
– From discontinued operations		**10,269**	23,967
Adjustments for:			
Finance costs	*8*	**33,156**	30,956
Depreciation	*16*	**891**	4,201
Amortisation of intangible assets	*19*	**760**	1,520
Amortisation of prepaid lease payment	*17*	**126**	121
Net realised loss on disposal of financial assets at fair value through profit or loss		**–**	1
Gain on disposal of subsidiaries	*34*	**(7,320)**	(23,132)
Share of results of interest in associates	*20*	**(394)**	(2,073)
Impairment loss on property, plant and equipment	*16*	**10**	3,012
Impairment loss on deposits paid		**335**	903
Impairment loss on goodwill	*18*	**–**	24,963
Impairment loss on interest in an associate	*20*	**2,617**	–
Impairment loss on loan receivables	*22*	**4,802**	–
Impairment loss on trade and other receivables	*24*	**841**	956
Operating cash flows before changes in working capital		**(12,382)**	(39,644)
(Decrease) increase in trade and other receivables		**(23,762)**	5,472
Increase in loan receivables		**(15,038)**	(141,521)
Increase in trade and other payables		**25,167**	12,675
Cash used in operations		**(26,015)**	(163,018)
Tax paid		**(1,147)**	(247)
Net cash used in operating activities		**(27,162)**	(163,265)
Investing activities			
Proceeds from disposals of financial assets at fair value through profit or loss		**–**	28
Purchase of financial assets at fair value through profit or loss		**–**	(29)
Purchase of property, plant and equipment	*16*	**(15)**	(1,658)
Net cash inflow (outflow) from disposal of subsidiaries	*34*	**7,279**	(774)
Net cash generated from (used in) investing activities		**7,264**	(2,433)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Financing activities			
Proceeds from new borrowings		**2,000**	39,000
Repayment of borrowings		**(2,000)**	(44,000)
Repayment of finance leases		**(465)**	(644)
Interest paid		**(14,937)**	(13,627)
Proceeds from issue of shares	*31(c)*	**–**	221,684
Shares issue expenses	*31(c)*	**–**	(3,325)
Repayment of promissory notes	*28*	**–**	(26,500)
Proceeds from issue of corporate bonds	*29*	**120,789**	96,913
Expense on issue of corporate bonds	*29*	**(17,661)**	(11,715)
Repayment of corporate bonds	*29*	**(67,546)**	(103,062)
Net cash generated from financing activities		**20,180**	154,724
Net increase (decrease) in cash and cash equivalents		**282**	(10,974)
Effect of change in foreign exchange rate		**822**	(681)
Cash and cash equivalents at the beginning of the year		**10,436**	22,091
Cash and cash equivalents at the end of the year		**11,540**	10,436
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of financial position		**11,540**	10,436

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 44.

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 amendments to HKFRSs

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

HKFRS 9	Financial instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and 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*)

Application of new and amendments to HKFRSs (*continued*)

2.1 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

	Loan receivables	Trade and other receivables	Effect on Accumulated loss
	HK$'000	*HK$'000*	*HK$'000*
Closing balance at 30 June 2018			
– HKAS 39	282,554	33,697	316,251
Effect arising from initial application of HKFRS 9:			
Application provision for Impairment	(5,216)	(284)	(5,500)
Opening balance at 1 July 2018	277,338	33,413	310,751

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

Application of new and amendments to HKFRSs (*continued*)

2.1 HKFRS 9 "Financial Instruments" (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

(a) Classification and measurement

On 1 July 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and classified its financial assets into the appropriate HKFRS 9 categories. The application of the new standard does not have a significant impact on the classification and measurement of its financial assets as debt instruments currently classified as loans and receivables would continue to be measured at amortised cost. This category includes the Group's loan receivables, trade and other receivables and cash and cash equivalents.

(b) Impairment under ECL model

The directors of the Company reviewed and assessed the Group's financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.1. The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

While cash and cash equivalents and other financial assets at amortised cost are also subject to the impairment requirements of HKFRS 9, no material impairment loss was identified.

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

Application of new and amendments to HKFRSs (*continued*)

2.2 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the period under review. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from rendering of services and sale of livestocks. Sales are recognised when control of the products has transferred, being when the products are delivered and the customers and title has passed.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

Taking into account the changes in accounting policy arising from initial application of HKFRS 15, the directors of the Company considered that the initial application of HKFRS 15 has no material impact to the consolidated financial statements of the Group.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[4]
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective date to be determined

Except as described below, the directors of the Company anticipate that the application of the other new and revised standards, interpretations and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of approximately HK$2,729,000 as disclosed in note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 16 "Leases" (continued)

In addition, the Group currently considers refundable rental deposits paid of approximately HK$1,119,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of- use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group does not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 as lessee and recognises the cumulative effect of initial application to opening accumulated losses without restating comparative information.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRS Standards and will be mandatorily effective for the Group's annual period beginning on 1 July 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 July 2020.

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 2019, the Group reported a net loss attributable to the equity shareholders of the Company of approximately HK$46,416,000 and had a net operating cash outflow of approximately HK$27,162,000. Major financing liabilities, arising mainly from corporate bonds amounted to approximately HK$217,983,000 of which an amount of approximately HK$201,156,000 were classified as current liabilities, while cash and cash equivalents amounted to approximately HK$11,540,000 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$352,997,000, which were in excess of the total current liabilities of approximately HK$262,917,000 by HK$90,080,000, 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 in the next twelve months. 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.

The significant accounting policies are set out below.

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.

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

Basis of consolidation *(continued)*

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including reattribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and, (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*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.

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 to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

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

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

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.

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.

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

Interest in 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.

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 HKFRS 9/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.

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

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.

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.

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

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

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

Revenue recognition (prior to 1 July 2018)

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.

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.

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

Leasing *(continued)*

Leasehold land and building

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.

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.

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).

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.

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*)

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 recognised 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.

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.

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

Taxation *(continued)*

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.

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.

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.

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 July 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

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

Financial instruments ***(continued)***

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

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

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loan receivables, trade and other receivables and bank balance and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and rental receivables. The ECL on these assets are assessed collectively by using a provision matrix, grouped by past due status.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the receivable is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on past due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loan receivables and trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

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

Financial instruments ***(continued)***

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 July 2018)

The Group's financial assets are classified into the following categories: financial assets at 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)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 July 2018) (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. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "fair value change on contingent consideration" line item. Fair value is determined in the manner described in Note 39(c) to the consolidated financial statements.

Impairment of financial assets (before application of HKFRS 9 on 1 July 2018)

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.

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

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 July 2018) (continued)

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.

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.

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

Financial instruments *(continued)*

Derecognition of financial assets

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 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.

Derecognition of financial liabilities

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.

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.

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.

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 deferred income tax assets and liabilities in the year in which such determination is made.

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.

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.

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

Key sources of estimate uncertainty *(continued)*

Estimated provision of ECL for loan and interest receivables

The Group uses provision matrix to calculate ECLs for loan and interest receivables. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, loan and interest receivables with significant balances and credit impaired are assessed for ECL individually with reference to the historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan and interest receivables are disclosed in notes 39(B)(b), 22 and 24 respectively.

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 unfavorable changes in facts and circumstances, a material impairment loss may raise.

5. REVENUE

For the year ended 30 June 2019

Disaggregation of revenue from contracts with customers and interest income

	Insurance brokerage and related service	Money lending service	Asset management and securities brokerage service	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Type of services				
Provision of insurance brokerage and related service	74,209	–	–	74,209
Provision asset management and securities brokerage service	–	–	4,688	4,688
Provision of services *(note)*	74,209	–	4,688	78,897
Interest income	–	18,412	–	18,412
Total	74,209	18,412	4,688	97,309

Note: All provision of services are recognised at a point in time.

6. 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; and

(d) Sales of livestocks

During the year ended 30 June 2019, the operation of information technology service was discontinued upon the disposal of a subsidiary, Red Rabbit International Technology, Inc. ("Red Rabbit"). 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 11 to these consolidated financial statements.

During the year ended 30 June 2018, the operating of energy saving service and sale of related products business 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 11 to these consolidated financial statements.

6. 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 2019 are as follows:

	Insurance brokerage and related service *HK$'000*	Money lending service *HK$'000*	Asset management and securities brokerage service *HK$'000*	Sale of livestocks *HK$'000*	Consolidated *HK$'000*
REVENUE					
Revenue from external customers	74,209	18,412	4,688	–	97,309
Inter-segment revenue	19,195	–	–	–	19,195
Reportable segment revenue	93,404	18,412	4,688	–	116,504

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	(11,346)	12,619	2,483	–	3,756
Unallocated corporate expenses					(29,469)
Share of result of an associate					394
Finance costs					(33,156)
Loss before taxation					(58,475)

6. SEGMENT INFORMATION (*continued*)

Segment revenue and results *(continued)*

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

	Insurance brokerage and related service *HK$'000*	Money lending service *HK$'000*	Information technology service *HK$'000*	Asset management and securities brokerage service *HK$'000*	Sale of livestocks *HK$'000*	Consolidated *HK$'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.

RESULTS						
Segment results	(19,071)	17,388	(16,587)	(4,575)	(605)	(23,450)
Unallocated corporate expenses						(52,705)
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)

6. SEGMENT INFORMATION (*continued*)

Segment assets and liabilities

The segment assets and liabilities as at 30 June 2019 are as follows:

	Insurance brokerage and related service	Asset management and securities brokerage service	Money lending service	Sales of livestock	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	**14,671**	**62**	**325,443**	**6,322**	**346,498**
Unallocated corporate assets					**20,098**
Consolidated total assets					**366,596**
LIABILITIES					
Segment liabilities	**32,357**	**2,777**	**1,058**	**782**	**36,974**
Unallocated corporate liabilities					**242,770**
Consolidated total liabilities					**279,744**
OTHER INFORMATION					
Capital additions	**15**	**–**	**–**	**–**	**15**
Depreciation and amortisation	**5**	**–**	**8**	**621**	**634**
Impairment loss on trade and other receivables	**3**	**–**	**838**	**–**	**841**
Impairment loss on loan receivables	**–**	**–**	**4,802**	**–**	**4,802**

6. SEGMENT INFORMATION (*continued*)

Segment assets and liabilities *(continued)*

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

	Insurance brokerage and related service *HK$'000*	Money lending service *HK$'000*	Information technology service *HK$'000*	Asset management and securities brokerage service *HK$'000*	Sales of livestock *HK$'000*	Consolidated *HK$'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 deposits paid	903	–	–	–	–	903
Impairment loss on goodwill	–	–	20,705	4,258	–	24,963

6. SEGMENT INFORMATION (*continued*)

Segment assets and liabilities *(continued)*

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

– all assets are allocated to operating segments other than certain plant and equipment, interest in a joint venture, interest in an associate, consideration receivables, certain other receivables 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.

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 Year ended		Specified non-current assets	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**–**	208	**6,205**	7,148
Hong Kong	**97,309**	65,717	**2,844**	3,971
The Philippines	**–**	8,954	**–**	3,812

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:

	2019	2018
	HK$'000	*HK$'000*
Insurance brokerage and related service segment		
Customer A	**19,536**	19,749
Customer B	**23,663**	14,042
Customer C	**12,802**	6,121
Customer D	**10,650**	4,386
	66,651	44,298

7. OTHER INCOME

Continuing operations

	2019	2018
	HK$'000	*HK$'000*
Sundry income	**89**	38

8. FINANCE COSTS

Continuing operations

	2019	2018
	HK$'000	*HK$'000*
Interest on corporate bonds	**15,484**	13,968
Imputed interest on corporate bonds *(note 29)*	**17,619**	14,765
Interest on promissory notes	**–**	1,096
Interest on other borrowings	**25**	1,036
Finance charges	**28**	91
	33,156	30,956

9. LOSS BEFORE TAXATION

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

	2019	2018
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration):		
– Salaries and other benefits	**21,483**	21,968
– Retirement benefits scheme contributions	**755**	632
	22,238	22,600
Amortisation of intangible assets	**–**	1,520
Amortisation of prepaid lease payment *(note 17)*	**126**	121
Auditor's remuneration	**970**	915
Depreciation of property, plant and equipment	**508**	4,201
Operating lease rentals of office premises	**6,821**	4,844
Operating lease rentals of equipment	**89**	67
Exchange loss, net	**2**	46

10. TAXATION

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong profits tax	**1,068**	706
Current year	**(25)**	(344)
Over-provision in previous years		
Overseas and Philippines income tax		
Current year	**–**	448
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences *(note 30)*	**–**	(76)
	1,043	734

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:

	2019 HK$'000	2018 HK$'000
Loss before taxation from continuing operations	**(58,475)**	(105,039)
Profit before taxation from discontinued operation	**10,269**	23,967
	(48,206)	(81,072)
Tax calculated at the applicable tax rates	**(7,955)**	(13,542)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**877**	(493)
Tax effect of non-deductible expenses	**15,172**	25,170
Tax effect of non-taxable income	**(8,311)**	(4,280)
Tax effect of utilisation of tax losses not previous recognised	**(417)**	–
Tax effect of tax losses not recognised	**1,627**	986
Over-provision in previous years	**(25)**	(344)
Tax effect of other temporary differences not recognised	**75**	(6,763)
Taxation charge	**1,043**	734

10. TAXATION (*continued*)

(i) Hong Kong income 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 gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

(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.

11. DISCONTINUED OPERATIONS

(a) On 27 December 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in its subsidiary, Red Rabbit, which carried out all of the Group's information technology service ("Information Technology"). The disposal was completed on 31 December 2018, on which date control of the operations of Information Technology was passed to the acquirer. Its results are presented in these consolidated financial statements as discontinued operations.

The results of the business of Information Technology for the period from 1 July 2018 to 31 December 2018 and the year ended 30 June 2018, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 July 2018 to 31 December 2018 *HK$'000*	1 July 2017 to 30 June 2018 *HK$'000*
Revenue	5,967	8,954
Cost of sales	(1,200)	(2,462)
Distribution costs	(75)	–
Administrative and other expenses	(1,445)	(2,374)
Profit before taxation from discontinued operations	3,247	4,118
Taxation	(298)	(448)
Profit after taxation from discontinued operations	2,949	3,670
Gain on disposal of subsidiaries after taxation *(note 34(c))*	7,320	–
Profit for the period from discontinued operations	10,269	3,670
Profit for the period from discontinued operation include the following:		
Amortisation	760	1,520
Depreciation	383	1,851
Other comprehensive income for the period from discontinued operation		
Exchange difference on translation of discontinued operation	748	–

The cash flow of the discontinued operation are as follows:

Net cash (outflow) inflow from operating activities	(196)	3,484
Net cash outflow from financing activities	–	(3,492)
Total cash outflow	(196)	(8)

11. 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 prior 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	–	5,022
Distribution costs	(14)	(163)
Administrative and other expenses	(89)	(7,712)
Impairment loss on trade and other receivables	–	(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 34(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	(439)

11. DISCONTINUED OPERATIONS (*continued*)

(c) 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.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 8 (2018: 6) 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				
2019				
Executive Directors:				
Chow Yik	–	1,320	18	1,338
Leung King Fai	–	560	12	572
Ma Jun	–	120	–	120
Wang Hongtao	–	40	–	40
Independent Non-Executive Directors:				
Ng Chi Ho, Dennis	120	–	–	120
Chan Sin Wa Carrie	120	–	–	120
Chung Shu Kun Christopher	120	–	–	120
Wang Rongqian	30	–	–	30
Total	390	2,040	30	2,460

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (*continued*)

(a) Directors' emoluments *(continued)*

	Directors' fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'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

During the years ended 30 June 2019, compensation of key management personnel represents remuneration to directors as set out above. For the year ended 30 June 2018, total compensations 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$4,205,000 and HK$59,000 respectively. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (*continued*)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2018: two) was director of the Company whose emoluments were included in note (a) above. The emoluments of the remaining four (2018: three) individuals were as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**4,937**	3,089
Retirement benefits scheme contributions	**72**	51
	5,009	3,140

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

	2019	2018
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–

For the years ended 30 June 2019 and 2018, 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.

13. 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 2019 and 2018.

14. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 30 June 2019 (2018: Nil).

15. EARNINGS/(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:

	2019	2018
	Cents per share	*Cents per share*
From continuing operations	**(25.66)**	(49.95)
From discontinued operations	**4.72**	11.71
	(20.94)	(38.24)

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 2019 and 2018.

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

	2019	2018
	HK$'000	*HK$'000*
Loss used in the calculation of basic and diluted earnings/(loss) per share from continuing operations	**(56,885)**	(102,216)
Profit for the year from discontinued operations	**10,269**	23,967
Loss for the year attributable to the owners of the Company	**(46,616)**	(78,249)

Weighted average number of ordinary shares

As described in notes 31(c) and 31(d), the Company completed the rights issue on 10 August 2017 and the share consolidation arising from capital reorganisation on 7 August 2018. In calculating earnings per share, the weighted average number of shares outstanding during the years ended 30 June 2019 and 2018 were calculated as if the bonus elements without consideration included in the rights had been existed from and the share consolidation had been completed at the beginning of the comparative year.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Plant and machinery *HK$'000*	Piggeries *HK$'000*	Total *HK$'000*
Cost							
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
Transfers from construction in progress *(note B)*	–	–	–	(5,000)	–	5,000	–
Disposals	(564)	–	–	–	–	–	(564)
Disposal of subsidiaries	–	(91)	–	–	–	–	(91)
At 30 June 2018	7,416	756	164	–	2,857	5,100	16,293
Currency realignment	–	2	–	–	–	(198)	(196)
Additions	–	–	–	–	15	–	15
Disposal of subsidiaries	(3,642)	(2)	–	–	–	–	(3,644)
At 30 June 2019	3,774	756	164	–	2,872	4,902	12,468
Accumulated depreciation and impairment loss							
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 disposal	(564)	–	–	–	–	–	(564)
Disposal of subsidiaries	–	(79)	–	–	–	–	(79)
Impairment loss for the year *(note A)*	1,105	420	98	–	1,389	–	3,012
At 30 June 2018	7,024	744	164	–	2,857	510	11,299
Currency realignment	9	2	–	–	–	16	27
Charge for the year	383	8	–	–	5	495	891
Disposal of subsidiaries	(3,642)	(2)	–	–	–	–	(3,644)
Impairment loss for the year *(note A)*	–	–	–	–	10	–	10
At 30 June 2019	3,774	752	164	–	2,872	1,021	8,583
Carrying values							
At 30 June 2019	–	4	–	–	–	3,881	3,885
At 30 June 2018	392	12	–	–	–	4,590	4,994

Notes:

A: During the year ended 30 June 2019, the directors reviewed and examined the current operations of the Group and considered the recoverable amount of certain property, plant and equipment from its insurance brokerage and related business and information technology service is minimal. Accordingly, an aggregate amount of full impairment loss of approximately HK$10,000 (2018: HK$3,012,000) is recognised in these consolidated financial statements.

B: Upon the construction works completed for the piggeries for livestocks business during the year ended 30 June 2018, the full amount of HK$5,000,000 construction in progress is transferred to piggeries.

17. PREPAID LEASE PAYMENT

The Group's prepaid lease payment comprises:

	2019	2018
	HK$'000	*HK$'000*
At 1 July	**2,675**	2,714
Currency realignment	**(110)**	82
Amortisation	**(126)**	(121)
At 30 June	**2,439**	2,675
Analysed for reporting purposes as:		
Non-current assets	**2,322**	2,556
Current assets	**117**	119
	2,439	2,675

18. GOODWILL

	HK$'000
Cost	
At 30 June 2017 and 1 July 2017 (restated), 30 June 2018 and 30 June 2019	39,256
Accumulated impairment losses	
At 30 June 2017 and 1 July 2017 (restated)	11,451
Impairment loss for the year	24,963
At 30 June 2018 and 2019	36,414
Net book value	
At 30 June 2018 and 30 June 2019	2,842

Information technology service

During the year ended 30 June 2018, 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 the increase in market competition which affect adversely the future growth and profits of the Group's information technology service business.

18. 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 16.77%. 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

As of year ended 30 June 2018, 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

As of year ended 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.

19. INTANGIBLE ASSETS

During the year ended 30 June 2019, the amortisation of approximately HK$760,000 (2018: approximately HK$1,520,000) was recognised and the carrying amount of intangible asset of approximately HK$2,660,000 was disposed of, details as set out in note 34(c). The customer service contract had definite lives and was amortised on a straight-line basis over its useful life of 5 years.

20. INTEREST IN AN ASSOCIATE

	2019	2018
	HK$'000	*HK$'000*
Cost of investment in an unlisted associate	**4,700**	4,700
Share of post-acquisition profits	**2,467**	2,073
Less: impairment loss	**(2,617)**	–
	4,550	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.

Management has reviewed the shortfall between the carrying amount of APAC and the market value of One PR at the end of the reporting period. The management has compared the carrying amount of One PR to the fair value less costs of disposal of One PR which was based on the market value of One PR. An impairment loss of HK$2,617,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income. The fair value less costs of disposal has been used by management in the impairment assessment of One PR as it reflects the underlying assets value of One PR.

Followings are the particulars of the associate as at 30 June 2019:

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% (2018: 40%)
e)	Principal activities	:	Financial marketing and event promotion

20. INTEREST IN AN ASSOCIATE (*continued*)

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

	2019	2018
	HK$'000	*HK$'000*
Gross amounts		
Current assets	**7,492**	6,495
Non-current assets	**–**	12
Current liabilities	**1,196**	1,196

	1 July 2018 to 30 June 2019	Since acquisition to 30 June 2018
	HK$'000	*HK$'000*
Revenue	**1,000**	6,395
Profit and total comprehensive income from continuing operations	**985**	5,182

There was no dividend received from the associate during both reporting periods.

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

	2019	2018
	HK$'000	*HK$'000*
Net assets of the associate	**6,296**	**5,311**
Group's effective interest	**40%**	40%
Proportion of the Group's ownership interest in associate	**2,519**	2,125
Goodwill	**4,648**	4,648
Impairment loss on interests in associates	**(2,617)**	–
Carrying amount of the Group's interest in an associate	**4,550**	6,773

21. INTEREST IN A JOINT VENTURE

	2019	2018
	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:

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% (2018: 50%)
e)	Principal activities	:	Provision of marketing service

Up to 30 June 2019, the Group has not contributed any capital into the JV Company, other than the amount for the share capital. Accordingly, full amount of capital of HK$5,000,000 that were contracted but not provided for in these consolidated financial statements were disclosed as capital commitment (note 36).

For the years ended 30 June 2018 and 2019, 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.

22. LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Unsecured, fixed rate loan receivables	**311,308**	291,054
Less: Loss allowance	**(18,518)**	(8,500)
	292,790	282,554

The following table shows the movement in allowances for credit losses that has been recognised for loan receivables.

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired HK$'000	Total HK$'000
At 30 June 2018 under HKAS 39	–	–	8,500	8,500
Adjustment upon application of HKFRS 9	5,216	–	–	5,216
At 1 July 2018 – As restated	5,216	–	8,500	13,716
– Transfer to Lifetime ECL	(5,216)	5,216	–	–
– Impairment losses recognised	–	4,774	–	4,774
New financial assets originated or purchased	28	–	–	28
At 30 June 2019	28	9,990	8,500	18,518

The majority of loan receivables carried at 6%–12% (2018: 7%–12%) interest rate per annum.

A maturity profile of the loans receivable as at the end of the reporting period, based on the remaining contractual maturity date is as follows:

	2019 HK$'000	2018 HK$'000
Due within 3 months	**20,225**	43,366
Due after 3 months but within 6 months	**35,257**	58,500
Due after 6 months but within 12 months	**237,308**	180,688
Total	**292,790**	282,554

Included in the carrying amount of loans receivables as at 30 June 2019 is accumulated impairment losses of approximately HK$18,518,000 (2018: HK$8,500,000). Details of impairment assessment for the year ended 30 June 2019 are set out in note 39.

23. CONSIDERATION RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Consideration receivables in respect of:		
Disposal of Reb Rabbit *(note 34(c))*	**3,500**	–
Disposal of Lately Focus *(note 34(b))*	**–**	7,000
Total	**3,500**	7,000

Subsequent to 30 June 2019, all consideration receivables were received by the Group.

24. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**13,477**	14,209
Interest receivables	**31,095**	15,711
Less: Loss allowance	**(2,244)**	(1,119)
	42,328	28,801
Other receivables	**545**	2,740
Prepayments, rental and other deposits	**2,177**	2,156
	45,050	33,697

Included in other receivables, an amount of approximately HK$115,000 (2018: HK$115,000) represents the balance that due from an associate as at 30 June 2019.

24. TRADE AND OTHER RECEIVABLES (*continued*)

The Group allows an average credit period normally 90 days (2018: 90 days) to its trade customers. The following is an ageing analysis of trade and interest receivables (net of loss allowance) presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition date.

	2019	2018
	HK$'000	*HK$'000*
0 to 3 months	**12,266**	27,529
4 to 6 months	**3,316**	1,254
7 to 12 months	**4,567**	14
Over 1 year	**22,179**	4
	42,328	28,801

The following table shows the movement in allowances for credit losses that has been recognised for trade receivables under simplified approach.

	Lifetime ECL (credit-impaired)
	HK$'000
At 30 June 2018 under HKAS 39 and 1 July 2018 under HKFRS 9	956
– Impairment losses recognised	3
At 30 June 2019	959

As at 30 June 2019, the Group's trade 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 2019, trade receivables of approximately HK$959,000 (2018: HK$956,000) were impaired.

24. TRADE AND OTHER RECEIVABLES (*continued*)

The following table shows the movement in allowances for credit losses that has been recognised for interest receivables under simplified approach.

	12m ECL *HK$'000*	Lifetime ECL (not credit-impaired) *HK$'000*	Lifetime ECL (credit-impaired *HK$'000*	Total *HK$'000*
At 30 June 2018 under HKAS 39	–	–	163	163
Adjustment upon application of HKFRS 9	284	–	–	284
At 1 July 2018 – As restated	284	–	163	447
– Transfer to Lifetime ECL	(284)	284	–	–
– Impairment losses recognised	–	837	–	837
New financial assets originated or purchased	1	–	–	1
At 30 June 2019	1	1,121	163	1,285

As at 30 June 2019, included in the Group's trade receivables and interest receivables are balances with aggregate carrying amount of approximately HK$30,062,000 which are past due as at the reporting date. Out of the past due balances approximately HK$26,746,000 has been past due 90 days or more and is not considered as in default based on historical experience.

25. CASH AND CASH EQUIVALENTS

	2019 ***HK$'000***	2018 *HK$'000*
Cash and bank balances and cash and cash equivalents as stated in the consolidated statement of cash flows	**11,540**	10,436

Included in the cash and bank balances, an amount of approximately HK$2,773,000 (2018: HK$68,000) 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.

26. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**36,361**	21,468
Other payables and accruals *(note)*	**16,253**	8,939
Interest payable	**8,064**	7,492
Receipt in advance	**–**	300
	60,678	38,199

Note: Included in other payables and accruals is an amount due to a director of approximately HK$440,000 (2018: NIL).

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**35,079**	21,340
Over 1 year	**1,282**	128
	36,361	21,468

The average credit period on purchases of goods is normally 90 days (2018: 90 days).

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Not later than one year	**15**	466	**15**	437
Later than one year and not later than five years	**–**	15	**–**	15
	15	481	**15**	452
Less: Future finance charges	**–**	29	**N/A**	N/A
Present value of minimum lease payments	**15**	452	**15**	452
Less: Amount due for settlement within 1 year under current liabilities			**(15)**	(437)
Amount due for settlement after 1 year			**–**	15

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 (2018: 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.

28. 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 at cash. 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 fully settled the PN3 through the current account with this independent third party during the year ended 30 June 2019 (2018: HK$330,000 partially settled).

The movement of the promissory notes is set out below:

	HK$'000
At 30 June 2017 and 1 July 2017 (Restated)	40,000
Principal settled	(36,830)
At 30 June 2018	3,170
Principal settled	(3,170)
At 30 June 2019	–

29. CORPORATE BONDS

During the year ended 30 June 2019, the Company issued 1 month to 24 months corporate bonds with aggregate principal amounts of HK$120,789,000 to certain independent third parties, net of direct expenses of approximately HK$17,661,000. These corporate bonds carried interest at fixed rates of 3% to 17% per annum with interest payable monthly or semi-annually in arrears. These corporate bonds are unsecured. The effective interest rates of these corporate bonds are ranging from 2.36% to 36% per annum.

During the year ended 30 June 2018, the Company issued 3 months to 18 months corporate bonds with aggregate principal 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 15% per annum with interest payable monthly or semi-annually in arrears. These corporate bonds are unsecured. The effective interest rates of these corporate bonds are ranging from 0.33% to 36.96%.

29. CORPORATE BONDS (*continued*)

	2019 HK$'000	2018 HK$'000
At 1 July	**164,782**	167,881
Proceeds from issuance of corporate bonds	**120,789**	96,913
Transaction costs for corporate bonds issuance	**(17,661)**	(11,715)
Imputed interest *(note 8)*	**17,619**	14,765
Principal repaid	**(67,546)**	(103,062)
At 30 June	**217,983**	164,782
Carrying amount repayable:		
Within one year	**201,156**	140,733
After one year but within five years	**9,470**	10,208
Over five years	**7,357**	13,841
	217,983	164,782
Less: Amount shown under current liabilities	**(201,156)**	(140,733)
Amount shown under non-current liabilities	**16,827**	24,049

Details of the Corporate Bonds held by individual over HK$9,000,000 as at 30 June 2019 are as follows:

Bond number	Subscriber	Principal amount	Date of issue
126	Li Jinning	HK$10,000,000	7 December 2016
132	禹雲益	HK$10,000,000	18 January 2017
133B	陳二虎	HK$10,300,000	18 January 2019
203A	汪武揚	HK$10,000,000	18 August 2018
210A	Wei Wen	HK$9,500,000	28 September 2018
276	黃洪滔	HK$10,000,000	6 August 2018
291	Ni Sha	HK$10,000,000	24 September 2018

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

Bond number	Subscriber	Principal amount	Date of issue
126	Li Jinning	HK$10,000,000	7 December 2016
132	禹雲益	HK$10,000,000	18 January 2017
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	Wei Wen	HK$9,500,000	28 September 2017

30. 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 30 June 2017 and 1 July 2017 (Restated)	247
Credited to profit or loss *(note 10)*	(76)
At 30 June 2018	171
Disposal of a subsidiary *(note 34(c))*	(171)
At 30 June 2019	–

	2019	2018
	HK$'000	*HK$'000*
Deductible temporary differences	**3,148**	3,324
Unused tax losses	**68,984**	61,668
	72,132	64,992

At 30 June 2019, the Group had unused tax losses of approximately HK$68,984,000 (2018: HK$61,668,000) 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.

At 30 June 2019, the Group had assessable temporary differences of approximately HK$3,148,000 (2018: deductible temporary differences of approximately HK$3,324,000). 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.

31. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Authorised:		
At 1 July 2017 (ordinary shares of HK$0.05)	3,000,000	150,000
Increase in authorised share capital *(note (a))*	7,000,000	350,000
At 30 June 2018 (original shares of HK$0.05)	10,000,000	500,000
Increase in authorised share capital *(note (b))*	90,000,000	–
At 30 June 2019 (ordinary shares of HK$0.005)	100,000,000	500,000
Issued and fully paid:		
At 1 July 2017 (ordinary shares of HK$0.05)	1,266,767	63,338
Issue of shares under right issue *(note (c))*	3,166,918	158,346
At 30 June 2018 (ordinary shares of HK$0.05)	4,433,685	221,684
Cancellation of paid-up capital *(note (d))*	(4,212,001)	(220,576)
At 30 June 2019 (ordinary shares of HK$0.005)	221,684	1,108

31. SHARE CAPITAL (*continued*)

(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) Increase in authorised share capital

Pursuant to an ordinary resolution passed at a special general meeting of the Company on 7 August 2018, the shareholders of the Company have approved the increase in authorised share capital of the Company to HK$500,000,000 comprising 10,000,000,000 old shares of HK$0.05 each. After the Capital Reorganisation, the authorised share capital of the Company was HK$500,000,000 divided into 100,000,000,000 new shares of HK$0.005 each. Details are set out in the announcement and circular dated 26 June 2018 and 17 July 2018.

(c) Issue of shares under 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$218,359,000. The difference of approximately HK$60,013,000 between the gross proceeds of approximately HK$218,359,000 (after deduction of related expenses of approximately HK$3,325,000) and the par value of shares issued of approximately HK$158,346,000 has been credited to the share premium account of the Company. 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.

(d) 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.

(e) The contributed surplus of the Company represents the credit arising from a capital reduction of the Company and the contributed surplus will be used to offset accumulated losses of the Company. Any credit standing in the contributed surplus account of the Company will be used in any manner permitted by laws of Bermuda and the bye-laws of the Company.

(f) A reduction of approximately HK$313,576,000 standing to the credit of the share premium account of the Company and the transfer such amount to the contributed surplus account was approved by the shareholders at the special general meeting on 7 August 2018.

32. 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 nonexecutive 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 2011, the number of Shares issuable under for issue for the Scheme was 131,040,000 shares, which options granted under represented approximately 7.45% of the issued share capital of the Company as at that date.
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

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

During the years ended 30 June 2019 and 2018, no option was granted, exercised or cancelled, nor were there any outstanding at the beginning and at the end of the year.

33. 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 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.

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	–

33. 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.

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	–

34. 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 entire equity interests in these subsidiaries and HK$1,199,998 for sale of outstanding balances that due with the Group with an amount of approximately HK$55,278,000. The disposal was completed on 2 November 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)
Net assets disposed of			(12,979)
Release of exchange reserve upon disposals			(8,703)
Gain on disposal of subsidiaries *(Note 11(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)

34. 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 11(c))*	250
Total consideration	7,000
Satisfied by cash	7,000
Net cash inflow arising from disposal:	
Consideration receivable as at 30 June 2018 *(note 23)*	7,000

34. DISPOSAL OF SUBSIDIARIES (*continued*)

(c) On 27 December 2018, the Group entered into an agreement to dispose the entire equity interest in Red Rabbit which carried out all of the Group's information technology services business at a cash consideration of HK$3,800,000. The disposal was completed on 31 December 2018.

The assets and liabilities of Red Rabbit at the date of disposal were as follows:

	HK$'000
Intangible assets	2,660
Trade and other receivables	6,339
Amount due with group companies	12,433
Bank balances and cash	21
Trade and other payables	(3,260)
Tax payable	(1,115)
Deferred tax liability	(171)
Net assets disposed of	16,907
Non-controlling interests	(7,201)
Exchange reserve release upon disposal	(793)
Amounts due with group companies assigned and waived	(12,433)
Gain on disposal of subsidiaries *(note 11(a))*	7,320
Total consideration	3,800
Satisfied by cash	300
Consideration receivable *(note 23)*	3,500
	3,800
Net cash inflow arising from disposal:	
Cash consideration received during the year	300
Less: Bank balances and cash disposed of	(21)
	279

The consideration receivable is settled in cash by the purchaser subsequent to 30 June 2019.

The cash flows of the discontinued operation of Red Rabbit during the six months ended 31 December 2018 are set out in note 11(a).

35. 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 2019 and 2018, the Group's total future minimum lease payments under non-cancellable operating leases for each of the following periods were:

	2019	2018
	HK$'000	*HK$'000*
Not later than one year	**2,729**	5,294
Later than one year and not later than five years	**–**	2,830
	2,729	8,124

36. CAPITAL COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
Capital contribution to a joint venture *(note 21)*	**5,000**	5,000
Capital expenditure for the CRM system	**490**	784
	5,490	5,784

37. 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.

38. 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.

	Interest payable	Other borrowings	Obligations under finance leases	Promissory notes	Corporate bonds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2017 (Restated)	5,019	5,000	812	40,000	167,881	218,712
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)
Interest paid	(13,627)	–	–	–	–	(13,627)
Repayment of corporate bonds	–	–	–	–	(103,062)	(103,062)
Total changes from financing cash flows	(13,627)	(5,000)	(735)	(26,500)	(17,864)	(63,726)
Non-cash changes:						
New finance leases	–	–	284	–	–	284
Finance charges on obligations under finance leases	–	–	91	–	–	91
Imputed interest expenses	–	–	–	–	14,765	14,765
Interest expenses	16,100	–	–	–	–	16,100
Settlement of corporate bonds by offsetting with receivable balance	–	–	–	(10,330)	–	(10,330)
Total non-cash changes	16,100	–	375	(10,330)	14,765	20,910
At 30 June 2018	7,492	–	452	3,170	164,782	175,896

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (*continued*)

	Interest payable HK$'000	Obligations under finance leases HK$'000	Promissory notes HK$'000	Corporate bonds HK$'000	Total HK$'000
At 30 June 2018 and 1 July 2018	7,492	452	3,170	164,782	175,896
Changes from financing cash flows:					
Capital element of finance leases rental paid	–	(437)	–	–	(437)
Interest element of finance leases rental paid	–	(28)	–	–	(28)
Proceeds from issue of corporate bonds	–	–	–	120,789	120,789
Expenses on issue of corporate bonds	–	–	–	(17,661)	(17,661)
Interest paid	(14,937)	–	–	–	(14,937)
Repayment of corporate bonds	–	–	–	(67,546)	(67,546)
Total changes from financing cash flows	(14,937)	(465)	–	35,582	20,180
Non-cash changes:					
Finance charge on obligations under finance leases	–	28	–	–	28
Imputed interest expenses	–	–	–	17,619	17,619
Interest expenses	15,509	–	–	–	15,509
Settlement of corporate bonds by offsetting with receivable balance	–	–	(3,170)	–	(3,170)
Total non-cash changes	15,509	28	(3,170)	17,619	29,986
At 30 June 2019	8,064	15	–	217,983	226,062

39. FINANCIAL INSTRUMENTS

(A) Financial instruments by categories

	Loans and receivables	
	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost	**352,617**	–
Loans and receivables at amortised cost (including cash and cash equivalents)	**–**	334,188
	352,617	334,188

	Financial liabilities at amortised cost	
	2019	2018
	HK$'000	*HK$'000*
Financial liabilities		
Amortised cost	**278,676**	206,303

(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 29 for details) and loan receivables (see note 22 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.

39. FINANCIAL INSTRUMENTS (*continued*)

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

(a) Market risk (continued)

(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.

(b) Credit risk

As at 30 June 2019, 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.

Trade and interest receivables and loan receivables

In order to minimise the credit risk, the management of the Group has policies in place 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 performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on financial assets at amortised cost collectively. In this regard, the directors of the Company consider that the Group's credit risk is effectively managed.

The Group has concentration of credit risk as 20% (2018: 22%) and 27% (2018: 34%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Other receivables and bank balances

The credit risk of other receivables is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each receivable and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these receivables at the end of each reporting period.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

39. FINANCIAL INSTRUMENTS (*continued*)

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

(b) Credit risk (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-months ECL
Moderate risk	Debtors frequently repay after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-months ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indication the assets it credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	*Notes*	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount** *HK$'000*
Financial assets at amortised cost				
Bank balances	*25*	Note A	12m ECL	11,540
Loan receivables	*22*	Note B	12m ECL Lifetime ECL	311,308
Trade receivables	*24*	Note C	Lifetime ECL	13,477
Interest receivables	*24*	Note B	12m ECL Lifetime ECL	31,095

39. FINANCIAL INSTRUMENTS (*continued*)

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

(b) Credit risk (continued)

Notes:

A. For bank balances, the Group determines the expected credit losses by referring to external credit rating of the related banks. No impairment allowance was made on bank balances at the end of each reporting period as the directors of the Company consider the effect is minimal.

B. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

C. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating based on historical repayment records and reputation. No loss allowance at life time ECL was made on trade receivables at the end of each reporting period as the directors of the Company consider the effect is minimal.

As part of the Group's credit risk management, the Group applies internal credit rating. The following table provides information about the exposure to credit risk which are assessed based on provision matrix as at 30 June 2019. Credit-impaired loan receivables, trade receivables and interest receivables with gross carrying amounts of HK$8,500,000, HK$959,000 and HK$163,000 as at 30 June 2019 were assessed individually.

Gross carrying amount

Internal credit rating	**Average loss rate**	**Loan receivables**	**Interest receivables**
		HK$'000	*HK$'000*
Low risk	0.14%	28	1
Moderate risk	1.83%	659	27
Doubtful	3.78%	9,331	1,094
		10,018	1,122

The estimated loss rates are estimated based on average of personal default rates and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

39. 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 2019						
Trade and other payables	**60,678**	**60,678**	**60,678**	**–**	**–**	**–**
Obligations under finance leases	**15**	**15**	**15**	**–**	**–**	**–**
Corporate bonds	**217,983**	**254,759**	**227,000**	**2,259**	**12,500**	**13,000**
Total	**278,676**	**315,452**	**287,693**	**2,259**	**12,500**	**13,000**

	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	–	–	–
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

39. 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 2019 and 2018, 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.

40. 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.

41. 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$755,000 (2018: HK$632,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

42. MAJOR NON-CASH TRANSACTIONS

Apart from those disclosed elsewhere in these in these consolidated financial statements, there is no major non-cash transactions during the year ended 30 June 2019.

During the year ended 30 June 2018, the Group acquired property, plant and equipment with an aggregate cost of approximately HK$1,942,000 of which approximately HK$284,000 was acquired by means of finance leases. Cash payment of approximately HK$1,658,000 were made to purchase property, plant and equipment.

43. 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:

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Interests in subsidiaries	**310,722**	282,399
Current assets		
Consideration receivables	**3,500**	7,000
Other receivables	**385**	385
Amount due from an associate	**115**	115
Cash and bank balances	**416**	1,247
	4,416	8,747
Current liabilities		
Other payables	**23,294**	19,293
Corporate bonds	**199,875**	141,544
Promissory notes	**–**	3,170
Amounts due to subsidiaries	**950**	4,422
	224,119	168,429
Net current liabilities	**(219,703)**	(159,682)
Total assets less current liabilities	**91,019**	122,717
Non-current liability		
Corporate bonds	**16,614**	21,768
Net assets	**74,405**	100,949
Equity		
Share capital *(note 31)*	**1,108**	221,684
Reserves *(note)*	**73,297**	(120,735)
Total equity	**74,405**	100,949

The statement of financial position of the Company was approved and authorised for issue by the Board of directors on 30 September 2019 and are signed on its behalf by:

Chow Yik	**Wang Hongtao**
Chairman	*Director*

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

Note:

Reserves

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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)
Loss for the year	–	–	(26,544)	(26,544)
Cancellation of paid-up capital, reduction of share premium and transfer to contributed surplus	(313,576)	534,152	–	220,576
At 30 June 2019	–	534,152	(460,855)	73,297

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 30 June 2019 and 2018 are as follows:

Name	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: 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$22,630,00	75%	–	100%	Provision of asset management service
Sang Woo (Kirin) Securities Limited	Hong Kong	HK$8,100,000	100%	–	100%	Provision of securities brokerage service
Kirin Capital International Limited	Hong Kong	HK$20,000,001	100%	–	100%	Inactive
Kirin Immigration Services Limited	Hong Kong	HK$1	100%	–	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

44. 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	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Kirin Holdings Limited	Cayman Islands/ Hong Kong	**25%**	25%	**(2,833)**	(4,648)	**(13,040)**	(10,207)
Red Rabbit	Philippines	**–**	49%	**–**	1,091	**–**	7,201
				(2,833)	(3,557)	**(13,040)**	(3,006)

44. 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	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current assets	**33,702**	38,929	**–**	14,967
Non-current assets	**6,842**	7,017	**–**	3,812
Current liabilities	**(92,750)**	(86,764)	**–**	(3,913)
Non-current liabilities	**–**	(15)	**–**	(171)
Equity attributable to owners of the Company	**(39,154)**	(30,326)	**–**	7,494
Non-controlling interests	**(13,040)**	(10,207)	**–**	7,201
Revenue	**93,404**	63,248	**–**	8,954
Loss attributable to owners of the Company	**(8,499)**	(13,947)	**–**	1,135
Loss attributable to non-controlling interests	**(2,833)**	(4,648)	**–**	1,091
Loss for the year	**(11,332)**	(18,595)	**–**	2,226
Net cash (outflow) inflow from operating activities	**(34)**	4,949	**–**	(8)
Net cash outflow from investing activities	**(15)**	(1,658)	**–**	–
Net cash outflow from financing activities	**(437)**	(644)	**–**	–
Net cash (outflow) inflow	**(486)**	2,647	**–**	(8)

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.

45. EVENTS AFTER THE REPORTING PERIOD

On 16 September 2019, the Company and an independent third party (the "Purchaser") entered into a sale and purchase agreement pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire the entire 100% equity interest in Cyber Leader Holdings Limited, a wholly owned subsidiary of the Company, for a cash consideration of HK$100,000.

FINANCIAL SUMMARY

	Years ended 30 June				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Results					
Revenue	**97,309**	74,879	79,562	40,833	20,905
Loss for the year	**(49,249)**	(81,806)	(101,536)	(68,168)	(22,046)

	As at 30 June				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Assets and liabilities					
Total assets	**366,596**	358,167	283,250	229,722	104,449
Total liabilities	**(279,744)**	(209,061)	(261,368)	(107,578)	(57,341)
Net assets	**86,852**	149,106	21,882	122,144	47,108
Share Capital	**1,108**	221,684	63,338	63,338	11,377
Reserves	**98,784**	(69,572)	(42,127)	56,715	34,246
Total equity attributable to equity shareholders of the Company	**99,892**	152,112	21,211	120,053	45,623
Non-controlling interests	**(13,040)**	(3,006)	671	2,091	1,485
Total equity	**86,852**	149,106	21,882	122,144	47,108