匯銀控股集團有限公司
Huiyin Holdings Group Limited
(香港股份代號：1178)
(HK STOCK CODE: 1178)

年報
Annual Report
2018

於開曼群島註冊成立之有限公司
Incorporated in the Cayman Islands with limited liability

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chen Jin *(Chairman and Chief Executive Officer)* (appointed as Chairman and Chief Executive Officer on 18 October 2018)
Wong Kui Shing, Danny (appointed on 8 May 2017)
Chan Christina (appointed as Executive Director and Chief Financial Officer on 7 June 2017 and resigned as Chief Financial Officer on 18 October 2018)
Shi Yanxin (appointed on 7 September 2018)
Miao Xiaoxing (appointed as Executive Director and Chief Financial Officer on 18 October 2018)
Zhou Guohua *(Chairman)* (appointed as Executive Director on 8 August 2016 and appointed as Chairman on 2 June 2017 and resigned on 1 December 2017)
Meng Xiaoqian (appointed as Executive Director on 2 June 2017 and appointed as Chief Executive Officer on 7 June 2017 and resigned on 6 June 2018)
Xu Zhifeng (resigned on 27 September 2017)
Chan Shun Yee (redesignated to Non-Executive Director on 4 November 2016 and resigned on 27 September 2017)
Meng Zhaoyi *(Chairman)* (appointed as Chairman and Executive Director on 13 December 2017 and resigned on 1 August 2018)
Jin Zhongkao (appointed as Chief Executive Officer and Executive Director on 12 July 2018 and resigned on 31 August 2018)

Non-Executive Directors

Liang Bing (appointed on 18 October 2018)
Xiao Liang (appointed on 21 May 2018 and resigned on 18 October 2018)
Zhou Jian (appointed on 2 June 2017 and resigned on 1 December 2017)
Chan Shun Yee (redesignated from Executive Director on 4 November 2016 and resigned on 27 September 2017)
Li Wenjun (appointed on 16 January 2018 and resigned on 12 July 2018)

Independent Non-Executive Directors

Wong Chi Yan (appointed on 23 October 2017)
Lu Jianzhi (appointed on 18 October 2018)
Wang Zhifeng (appointed on 18 October 2018)
Chan Wai Kit (appointed on 13 December 2017 and resigned on 18 October 2018)
Ng Kwok Kei Sammy (appointed on 2 June 2017 and resigned on 1 December 2017)
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)

AUDIT COMMITTEE

Wong Chi Yan *(Chairman)* (appointed on 23 October 2017 and re-designated as chairman on 1 December 2017)
Lu Jianzhi (appointed on 18 October 2018)
Wang Zhifeng (appointed on 18 October 2018)
Chan Wai Kit (appointed on 13 December 2017 and resigned on 18 October 2018)
Ng Kwok Kei Sammy (appointed as committee Chairman on 2 June 2017 and resigned on 1 December 2017)
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)

REMUNERATION COMMITTEE

Wong Chi Yan *(Chairman)* (appointed on 23 October 2017 and re-designated as chairman on 1 December 2017)
Lu Jianzhi (appointed on 18 October 2018)
Wang Zhifeng (appointed on 18 October 2018)
Chan Wai Kit (appointed on 13 December 2017 and resigned on 18 October 2018)
Ng Kwok Kei Sammy (appointed as committee Chairman on 2 June 2017 and resigned on 1 December 2017)
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)

NOMINATION COMMITTEE

Wong Chi Yan *(Chairman)* (appointed on 23 October 2017)
Lu Jianzhi (appointed on 18 October 2018)
Wang Zhifeng (appointed on 18 October 2018)
Chan Wai Kit (appointed on 13 December 2017 and resigned on 18 October 2018)
Ng Kwok Kei Sammy (appointed as committee Chairman on 7 June 2017 and resigned on 1 December 2017)
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)
Su Rujia (appointed on 7 June 2017 and resigned on 27 September 2017)
Wang Edward Xu (appointed as committee Chairman on 7 June 2017 and resigned on 27 September 2017)

CORPORATE INFORMATION

STRATEGIC DEVELOPMENT COMMITTEE
(established on 29 August 2017)

Wong Kui Shing, Danny (appointed on 29 August 2017)
Chan Christina (appointed on 1 December 2017)
Liang Bing (appointed on 18 October 2018)
Zhou Guohua (appointed as committee Chairman on 29 August 2017 and resigned on 19 July 2018)
Meng Xiaoqian (appointed on 29 August 2017 and resigned on 6 June 2018)
Zhou Jian (appointed on 29 August 2017 and resigned on 1 December 2017)
Meng Zhaoyi (appointed on 13 December 2017 and resigned on 1 August 2018)
Jin Zhongkao (appointed on 12 July 2018 and resigned on 31 August 2018)

COMPANY SECRETARY

Yam Wan Fung (appointed on 24 July 2018)
Wong Siu Fan (appointed on 30 September 2017 and resigned on 24 July 2018)
Yeung Shun Kee (resigned on 30 September 2017)

AUTHORISED REPRESENTATIVES

Chen Jin (appointed on 18 October 2018)
Yam Wan Fung (appointed on 24 July 2018)
Chan Christina (appointed on 1 August 2018 and resigned on 18 October 2018)
Zhou Guohua (appointed on 4 August 2017 and resigned on 1 December 2017)
Wong Siu Fan (appointed on 30 September 2017 and resigned on 24 July 2018)
Xu Zhifeng (resigned on 4 August 2017)
Yeung Shun Kee (resigned on 30 September 2017)
Meng Zhaoyi (appointed on 13 December 2017 and resigned on 1 August 2018)

AUDITOR

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road, Tsim Sha Tsui
Kowloon, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
China Minsheng Banking Corporation Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26/F, Great Smart Tower
230 Wan Chai Road
Wan Chai, Hong Kong
Tel: (852) 2868 2588
Fax: (852) 2991 4711

HEAD OFFICE IN THE PRC

Floor 8, Convention and Exhibition Centre,
No. 1, Software Road, Zhuhai, Guangdong
The People's Republic of China

SHARE REGISTRARS AND TRANSFER OFFICES

Cayman Islands

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong

Union Registrars Limited
Suites 3301–04, 33/F, Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE

1178

WEBSITE ADDRESS

http://www.irasia.com/listco/hk/huiyin/

BUSINESS REVIEW

In the financial year of 2017/18 (the "Year"), Huiyin Holdings Group Limited has been adjusting its business development plan in response to the changing economic environment.

China's and Hong Kong's economies have inevitably been impacted by the intensifying trade frictions between the United States and China. During the Year, the Company and its subsidiaries (the "Group") recorded declined sales due to slow demand of the BIOenergy products and honey products, resulting in unsatisfactory profitability. Accordingly, the Group has been actively restructuring all underperforming business and commenced to develop a more diversified product portfolio. The Group has been continuously expanding the comparatively profitable business among its existing business segments. Although the Group recorded a net loss of approximately HK$167.60 million for the Year (30 June 2017: approximately HK$70.96 million), it included a one-off expenses of approximately HK$113.14 million associated with incident relating to the Group's acquisition of YSK1860 Investment Company Limited and ECrent (Hong Kong) Limited (the "Acquisition").

One-off expenses associated with the investigation of the Acquisition included the written off of the investment costs of the Acquisition of HK$110.04 million and the legal and professional fee of HK$3.10 million.

FINANCIAL REVIEW

Revenue

The Group's consolidated revenue for the Year was approximately HK$46.82 million (30 June 2017: approximately HK$53.52 million), approximately 12.52% lower than the same period of last year. Gross profit decreased to approximately HK$11.05 million (30 June 2017: approximately HK$16.62 million), with a gross profit margin of approximately 23.60%.

Selling and distribution costs

Selling and distribution costs for the Year amounted to approximately HK$3.84 million (30 June 2017: approximately HK$3.86 million), representing a decrease of approximately 0.52% or approximately HK$0.02 million as compared to the corresponding year ended 30 June 2017.

Administrative expenses

During the Year, administrative expenses, included the one-off legal and professional fee of HK$3.10 million, amounted to approximately HK$50.85 million (30 June 2017: approximately HK$57.09 million), representing a decrease of approximately 10.93% or approximately HK$6.24 million as compared to the corresponding year ended 30 June 2017, which were the results of management restructuring commenced in July 2017.

Other operating expenses

For the year ended 30 June 2018, other operating expenses increased approximately 305.82% to approximately HK$131.27 million which was mainly attributable to: (1) loss on written off in respect of other assets; (2) provision for obsolete and slow moving inventories; and (3) impairment loss recognised in respect of other receivables.

Finance costs

Finance costs amounted to approximately HK$0.3 million was mainly due to interest paid on borrowings.

Loss for the year

The Group's loss for the Year amounted to approximately HK$167.60 million (30 June 2017: loss of approximately HK$70.96 million). The Group's loss was mainly attributed to the restructuring of the underperforming trading business, the Group's strict control on its costs, and one-off expenses associated with the Acquisition.

CHANGE OF COMPANY NAME

Subsequent to the passing of a special resolution approving the change of the company name by the shareholders at the annual general meeting held on 7 December 2017, the Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands on 11 December 2017 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 3 January 2018 certifying that the Company changed its name to Huiyin Holdings Group Limited (formerly known as Share Economy Group Limited) and adopted the Chinese name of "匯銀控股集團有限公司" as the dual foreign name of the Company to replace "共享經濟集團有限公司".

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed a total of 79 (30 June 2017: 87) employees, of which 53 (30 June 2017: 61) were working in Mainland China and New Zealand and 26 (30 June 2017: 26) were stationed in Hong Kong. The total salaries (excluding directors' emoluments) for the Year was approximately HK$17.41 million (30 June 2017: approximately HK$11.26 million). Remuneration packages comprises salary, mandatory provident fund, bonus, statutory contributions and medical allowance.

FOREIGN EXCHANGE RISK AND MANAGEMENT

The majority of the Group's operations are located in the PRC, and the main operational currencies are Hong Kong Dollars, Renminbi and United States Dollars. The Company is paying regular and active attention to Renminbi exchange rate fluctuations and consistently assess exchange risks.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, net current assets of the Group were approximately HK$133.95 million (30 June 2017: approximately HK$109.09 million). The Group's cash and bank balance at that date amounted to approximately HK$31.18 million (30 June 2017: approximately HK$18.07 million), which was mainly denominated in Hong Kong dollars, Renminbi and United States Dollars, and the Group had no borrowings at the end of this Year (30 June 2017: approximately HK$16 million).

As at 30 June 2018, the Group's current ratio and quick ratio were 4.21 (30 June 2017: 3.27) and 3.99 (30 June 2017: 2.87) respectively. The increase in these ratios were mainly due to the increase in liquid working capital through fund raising exercise completed during the Year.

The gearing ratio, total borrowings divided by total assets at the end of each year, was nil as at 30 June 2018 (30 June 2017: 4.59%), the change is due to repayment of borrowings during the Year.

The Group continued to have no structured investment products, foreign exchange contracts and investments in listed shares, bonds and debentures.

It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity to meet operation requirements and to capture acquisition requirements.

CAPITAL COMMITMENT

During the Year, the Group had no material capital commitments or investment commitments.

The operating lease commitment for the Group as at 30 June 2018 was around HK$3.39 million (30 June 2017: HK$8.87 million).

FINAL DIVIDEND

The board (the "Board") of the directors (the "Directors") of the Company has resolved not to declare any final dividend for this reporting year (2017: Nil).

CONTINGENT LIABILITIES

Neither the Group nor the Company had any significant contingent liabilities at the end of this reporting year.

PLEDGE OF ASSETS

No assets of the Group was pledged as securities to any third parties as at 30 June 2018 (30 June 2017: Nil).

LITIGATION

On 3 March 2017, two individuals who are former employees (the "Plaintiffs") of ECrent (America) Company Limited filed a summons with the Supreme Court of the State of New York County of Nassau (the "Supreme Court") in the United States of America against certain defendants, including the Company and ECrent (HK) Company Limited, claiming for unpaid salary, benefits and expenses. The Company then engaged and obtained legal advice from its US legal counsel to apply for the case dismissed. On 31 August 2017, a Notice of Discontinuance was filed by the attorneys acting for the Plaintiffs with the Supreme Court whereby the Plaintiffs formally discontinued the proceeding as against the Company and ECrent (HK) Company Limited. Details of the discontinued proceeding are set out in the announcement dated 5 September 2017.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in this report, the Group had no other material acquisitions or disposal of subsidiaries and affiliated companies during the year ended 30 June 2018.

CAPITAL STRUCTURE

At 30 June 2018, the Group still maintain a cash and bank balance of HK$31.2 million as general working capital.

On 12 July 2017, the Company entered into placing agreement with a placing agent for placing an aggregate of 988,850,000 new shares to not less than six placees who were independent third parties (as defined in the Listing Rules) at a price of HK$0.07 per placing share. The placing was subsequently completed on 3 August 2017. The number of the Company's then issued shares increased from 4,964,284,033 to 5,953,134,033 shares accordingly.

There was no share options granted during the year ended 30 June 2018 and the number of outstanding share options granted as at 30 June 2018 were 242,000,000.

At 30 June 2018, the capital structure of the Company comprised 5,953,134,033 ordinary shares of HK$0.025 each.

EVENTS AFTER REPORTING PERIOD

The Company had entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") with Zhejiang Caogen Network Technology Co., Ltd.* (浙江草根網絡科技有限公司) ("Caogen Network") on 13 July 2018, which was aimed to draw on the strength of respective businesses of the parties, including the traditional loan business that the Company has developed and the experience and advantages accumulated by Caogen Network for years in the industry of integrated internet finance service platform, to create a leading international integrated internet finance service platform. The Strategic Cooperation Agreement was later terminated on 1 August 2018.

On 10 August 2018, the Company had entered into a memorandum of understanding (the "MOU") with Enesoon New Energy (Shenzhen) Company Limited ("Enesoon") pursuant to which both parties agreed to cooperate, among others, in the fields of clean energy technology, development of a low carbon, green environment, energy transformation and the building of ecological civilized cities. The MOU will remain in effect for one month from the date of the MOU (or such later date as the Company and Enesoon may agree in writing).

On 14 August 2018, the memorandum of understanding dated 14 May 2018 and entered into between the Company and Team Eight Group Limited in relation to a possible acquisition of entire shareholding of the Sky Happiness Limited, which is engaged in property investment and owns a property located at 20th Floor, Sunshine Plaza, No. 353 Lockhart Road, Hong Kong with a total gross floor area of approximately 4,765 square feet, was lapsed.

On 31 August 2018, the disposal agreement dated 7 May 2018 that the Company entered into with Joyful Sail Limited in relation to the disposal (the "Disposal") of all issued share of Vitop Manuka Resources Limited ("Disposal Agreement") was lapsed, as the conditions of the Disposal have not been fulfilled by the long stop date and the parties to the Disposal Agreement have not agreed on any further extension of the long stop date. Details of the Disposal agreement and the transactions are set out in the announcements dated 7 May 2018, 29 May 2018, 29 June 2018, 13 August 2018 and 31 August 2018.

USE OF PROCEEDS FROM PLACING OF NEW SHARES

The Company has received net proceeds of approximately HK$67 million in connection with the placing of new shares completed on 3 August 2017. As of 30 June 2018, all the net proceeds have been fully utilised by the Group as intended for general working capital for the Group's expansion of the existing business.

PROSPECTS

The Group believes that it will continue to face strong head winds in the foreseeable future.

As escalating international trade tensions unfold and China's ongoing reforms to focus on transforming economic development from "high speed" to "high quality", with policies on financial de-leveraging and risk prevention firmly in place, the Chinese economy has slowed down in short term but shall foster a steady and healthy economic growth over the long term.

Under these circumstances, cost cutting measures will be implemented as a priority for improving our operating performances. The Group will also continue to restructure and reorganize its business, adopting measures that are beneficial to the growth of its trading business, constantly enriching the products categories of the Company, expanding its marketing channels and customer bases, while studying the feasibility of promoting new business.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of BIOenergy products, healthcare food products, edible bird's nest, electronic and scandium oxide products, honey products and properties investments in the People's Republic of China (the "PRC") and Hong Kong.

BUSINESS REVIEW

A business review of the Group and an indication of likely future development in the Group's business are provided in the "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2018 and the state of affairs of the Group and the Company as at that date are set out in the audited consolidated financial statements on pages 51 to 113.

The Directors do not recommend the payment of any dividends to shareholders of the Company (the "Shareholders") for the year ended 30 June 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 114. This summary does not form part of the audited consolidated financial statements.

DONATION

No donation has been made by the Group during the year ended 30 June 2018 (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 30 June 2018 are set out in note 13 to the audited consolidated financial statements.

INTANGIBLE ASSETS

Details of the movement in the Group's intangible assets during the year ended 30 June 2018 is set out in note 15 to the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 30 June 2018, together with the reasons therefore, are set out in note 28 to the audited consolidated financial statements.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 2 December 2014 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant options the ("Options") to the directors (including executive director(s), non-executive director(s) and independent non-executive director(s)) and employees of the Group and any advisors, consultants, business partners, joint venture business partners, promoters, service providers whom the Board considers, in its sole discretion, have contributed or will contribute to the Group ("Participant(s)") as well as to provide incentives and help the Group in retaining its existing employees and recruiting new employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

Under the Share Option Scheme, the Board has the authority to set terms and conditions in the grant of the Options, in particular, the terms in relation to the minimum period of the Options to be held, the performance targets to be achieved before such Options can be exercised and the subscription price (the "Subscription Price"). With such authority and flexibility, the Board may assess the circumstance of each Participant and impose different terms and conditions in the grant of the Options to the Participants as they consider appropriate with a view to achieving the purpose of the Share Option Scheme.

The principal terms of the Share Option Scheme are as follows:

(i) The maximum number of shares of the Company (the "Shares") which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. in nominal amount of the aggregate of the Shares in issue on the annual general meeting held on 2 December 2014 (the "Adoption Date"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the scheme mandate limit.

(ii) At any time, the maximum number of the Shares which may be issued upon exercise of all Options which then has been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. (or such higher percentage as may be allowed under the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Shares in issue from time to time.

(iii) Subject to (iv) below, the maximum number of the Shares issued and to be issued upon exercise of the Options granted to each grantee (the "Grantee") under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1 per cent. of the Shares in issue for the time being.

(iv) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such proposed Grantee must be fixed before the Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant (the "Date of Grant") for the purpose of calculating the Subscription Price.

(v) The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

(a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a business day;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the Date of Grant; and

(c) the nominal value of the Shares.

(vi) On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the option period (the "Option Period"), subscribe for such number of the Shares as the Board may determine at the Subscription Price. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include, among other things, (i) the minimum period for which an Option must be held before it can be exercised; and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

(vii) An offer (the "Offer") shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of 7 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme has been terminated in accordance with the terms hereof or after the Participant for whom the Offer is made has ceased to be a Participant.

(viii) An Offer is deemed to be accepted when the Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of the Shares in respect of which the Offer is accepted and a remittance to the Company of HK$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances.

(ix) The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the 10 year period.

The number of share options outstanding and their exercise prices are as follows:

	Number of share options			
Name of category/participant	**At 1 July 2017 and 30 June 2018**	**Date of Grant**	**Exercise period**	**Exercise price (HK$)**
Employees/consultants				
In aggregate	242,000,000	21 March 2016	21/3/2016 –20/3/2026	0.145

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision is in force for the benefit of all Directors during the year ended 30 June 2018 and at the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 30 June 2018, there were no purchase, sale or redemption by the Company, or any its subsidiaries, of the Company's listed securities.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 30 June 2018 are set out in the consolidated statement of changes in equity and note 30 to the audited financial statements, respectively.

DISTRIBUTABLE RESERVES

The Company did not have reserves available for distribution to the shareholders as at 30 June 2018. Under the Companies Law of the Cayman Islands, the share premium of the Company amounted to approximately HK$553 million at 30 June 2018 is distributable to the Shareholders subject to the provisions of the Company's memorandum and articles of association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the percentage of sales to the Group's five largest customers accounted for 74.30% of the Group's total sales for the year ended 30 June 2018 and sales to the largest customer included therein amounted to 41.80%. Purchases from the Group's five largest suppliers accounted for 77.25% of the total purchases for the year ended 30 June 2018 and purchases from the largest supplier included therein amounted to 58.71%.

At no time during the year ended 30 June 2018 had the Directors, their associates or any Shareholder (which, to the knowledge of Directors, owns more than 5% of the Company's share capital) have any interest in these major customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 30 June 2018 and as at the date of publication of this report were as follows:

Executive Directors

Wong Kui Shing, Danny (appointed on 8 May 2017)
Chan Christina (Chief Financial Officer) (appointed as Executive Director and Chief Financial Officer on 7 June 2017)
Shi Yanxin (appointed on 7 September 2018)
Zhou Guohua (appointed as Executive Director on 8 August 2016 and appointed as Chairman on 2 June 2017 and resigned on 1 December 2017)
Meng Xiaoqian (appointed as Executive Director on 2 June 2017 and appointed as Chief Executive Officer on 7 June 2017 and resigned on 6 June 2018)
Xu Zhifeng (resigned on 27 September 2017)
Chan Shun Yee (redesignated to Non-Executive Director on 4 November 2016 and resigned on 27 September 2017)
Meng Zhaoyi (Chairman) (appointed as Chairman and Executive Director on 13 December 2017 and resigned on 1 August 2018)
Jin Zhongkao (Chief Executive Officer) (appointed as Chief Executive Officer and Executive Director on 12 July 2018 and resigned on 31 August 2018)

Non-Executive Directors

Xiao Liang (appointed on 21 May 2018)
Zhou Jian (appointed on 2 June 2017 and resigned on 1 December 2017)
Chan Shun Yee (redesignated from Executive Director on 4 November 2016 and resigned on 27 September 2017)
Li Wenjun (appointed on 16 January 2018 and resigned on 12 July 2018)

Independent Non-Executive Directors

Wong Chi Yan (appointed on 23 October 2017)
Chan Wai Kit (appointed on 13 December 2017)
Ng Kwok Kei Sammy (appointed on 2 June 2017 and resigned on 1 December 2017)
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)

In accordance with article 83(3) of the articles of association of the Company (the "Articles"), Ms. Shi Yanxin, Mr. Chan Wai Kit and Mr. Xiao Liang shall retire from office at the forthcoming general meeting of the Company and shall offer themselves for re-election.

In accordance with article 84(1) of the Articles, Mr. Wong Kui Shing, Danny, Ms. Chan Christina and Ms. Wong Chi Yan shall retire by rotation at the forthcoming general meeting of the Company and, being eligible, offer themselves for re-election at the forthcoming general meeting in accordance with article 84(2) of the Articles.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 18 to 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wong Kui Shing, Danny and Ms. Chan Christina did not enter into a director's service agreement with the Company. They are not appointed for a specific term but are subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Articles. Each of Ms. Wong Chi Yan, Mr. Chan Wai Kit and Mr. Xiao Liang had entered into the letter of appointment with the Company, which took effect from 23 October 2017, 13 December 2017 and 21 May 2018 respectively, for a term of one year pursuant to which his/her directorship in the Company is subject to retirement and re-election at general meetings of the Company in accordance with the Articles. Ms. Shi Yanxin has entered into a service contract with the Company for a terms of contract from 7 September 2018 for three years pursuant to which her directorship in the Company is subject to retirement and re-election at general meetings of the Company in accordance with the Articles.

Save as disclosed above, no Director proposed for re-election at the forthcoming general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its current independent non-executive directors the annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company based on such confirmation, considers such independent non-executive directors of the Company are independent as at the date of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interests, whether directly or indirectly subsisted at the end of the Year or at any time during the Year.

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

As at 30 June 2018, as far as the Directors are aware, none of the Directors had any interests, long positions or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of Listing Rules.

DIRECTORS' REMUNERATION

The Directors' fee is subject to Shareholders' approval at general meeting. Other emoluments are determined by the Company's Board and its remuneration committee (the "Remuneration Committee") with reference to the Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed herein, at no time during the year ended 30 June 2018 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year ended 30 June 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director, as at 30 June 2018, other than the interests of the Directors and Chief Executives as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the Shares and underlying Shares as at 30 June 2018

Name of Substantial Shareholders	Capacity	Number of Shares held	Approximate percentage of interest (Note 1)
Eight International Group Limited (Note 2)	Beneficial interest	1,711,570,000	28.75%
Zhang Vincent W S	Beneficial interest	980,120,000	16.46%
Superb Smart Limited (Note 3)	Beneficial interest	655,530,000	11.01%
Chen Chunhui	Beneficial interest	450,960,000	7.58%

Notes:

1. The approximate percentage of interest is calculated based on 5,953,134,033 Shares in issue as at 30 June 2018.

2. Eight International Group Limited is beneficially wholly-owned by Zong Aolei. Under the SFO, Zong Aolei is deemed to be interested in all the shares of the Company held by Eight International Group Limited.

3. Superb Smart Limited is beneficially wholly-owned by Zheng Juhua. Under the SFO, Zheng Juhua is deemed to be interested in all the shares of the Company held by Superb Smart Limited.

Save as disclosed above, as at 30 June 2018, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and the associated corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration policy of the employees of the Group is set up by the Remuneration Committee on the basis of the merits, qualifications and competence of employees. The emoluments of the Directors are decided by the Remuneration Committee with regard to the Group's operating results, individual performance and comparable market statistics. None of the Directors or any of their associates, and executive is involved in deciding his own remuneration. As at 30 June 2018, the Group had 79 employees (2017: 87 employees). The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report of this annual report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 30 June 2018 and up to the date of this report, the Directors had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Director	Name of company	Nature of business	Nature of interests
Wong Kui Shing Danny	China Information Technology Development Limited ("China Information")	Money Lending Business	Executive director of China Information
	TFG International Group Limited ("TFG")	Money Lending Business	Executive director of TFG
Wong Chi Yan	Elegance Optical International Holdings Limited ("Elegance Optical")	Money Lending Business	Executive director of Elegance Optical
Chan Wai Kit	Aurum Pacific (China) Group Limited ("Aurum Pacific")	Money Lending Business	Executive director of Aurum Pacific
	Evershine Group Holdings Limited ("Evershine Group")	Money Lending Business	Non-executive director of Evershine Group

As the Board is independent to the boards of the above mentioned companies, the Group is capable of carrying on its business independently of, and at arm's length, from the business of those companies.

Save as disclosed above, none of the Directors was interested in any business (apart from the Group's business) which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year ended 30 June 2018.

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 36 to the consolidated financial statements.

INDEPENDENT AUDITOR

Elite Partners CPA Limited has been appointed as the auditor of the Company since 18 February 2013.

The Company's auditor, Elite Partners CPA Limited, who retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Elite Partners CPA Limited as the Company's auditor will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Shi Yanxin
Director

Hong Kong, 27 September 2018

Biographies of Directors and Senior Management as at the date of publication of this report are set out below:

EXECUTIVE DIRECTORS

Mr. Chen Jin (陳進), aged 44, is the chairman of the Board, the chief executive officer, an executive director and the authorised representative of the Company on 18 October 2018. He holds a Bachelor's Degree from Hangzhou Dianzi University and a Masters Degree from Shanghai Jiao Tong University. Mr. Chen served as a project general manager at Huahui Construction Group Co., Ltd. from 2013 to 2015. He was a project general manager at Country Garden Holdings Company Limited (stock code: 2007), the shares of which are listed on the Main Board of the Stock Exchange, from 2016 to 2017. Mr. Chen has been serving as the general manager of Shanghai Fujita Tianshan Housing Development Co., Ltd.* (上海藤田天山住宅開發有限公司) ("Shanghai Fujita") since 2018. Mr. Chen has extensive experience in property development and project management.

Mr. Wong Kui Shing, Danny (王鉅成), aged 59, is an executive director and a member of strategic development committee of the Company. He holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market.

He has been appointed as the executive director, chairman and chief executive officer of China Information Technology Development Limited (a company listed on the GEM of the Stock Exchange, stock code: 8178) since 26 March 2015, 1 July 2015 and 20 October 2015, respectively.

He has been appointed as an independent non-executive director, member of audit committee and remuneration committee of Tech Pro Technology Development Limited (a company listed on the main board of the Stock Exchange, stock code: 3823) on 27 September 2017.

He has also been appointed as an independent non-executive director, chairman of remuneration committee and a member of nomination committee, audit committee and investment committee of Far East Holdings International Limited (a company listed on the main board of the Stock Exchange, stock code: 36) since 18 July 2017.

He has been an executive director and a member of the executive committee of TFG International Group Limited (formerly known as Ceneric (Holdings) Limited) (a company listed on the main board of the Stock Exchange, stock code: 542) since 21 August 2015 and was re-designated as the chief executive officer of TFG International Group Limited on 18 November 2016.

He has been an executive director, a member of the nomination committee and remuneration committee of Larry Jewelry International Company Limited (a company listed on the GEM of the Stock Exchange, stock code: 8351) since 3 October 2016.

He was a vice chief executive officer and chairman of the nomination committee of InvesTech Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1087) from 27 June 2015 to 24 September 2015 and from 29 October 2015 to 21 September 2016, respectively. He was a non-executive director and a member of the nomination committee of InvesTech Holdings Limited since 24 September 2015 and 21 September 2016 until his resignation on 1 June 2017, respectively.

He was also a non-executive director of Heng Sheng Holdings Limited (formerly known as Kong Shum Union Property Management (Holding) Limited) (a company listed on the GEM of the Stock Exchange, stock code: 8181) from 19 October 2015 to 18 January 2017.

He was also a former executive director and managing director of Emperor Culture Group Limited (formerly known as See Corporation Limited) (a company listed on the main board of the Stock Exchange, stock code: 491) from 21 December 2009 to 28 January 2015.

Ms. Chan Christina (陳雅文), aged 25, is an executive director and a member of the strategic development committee of the Company. She is also director of certain subsidiaries of the Company. Ms. Chan completed a master of science in china business studies from The Hong Kong Polytechnic University in 2017 and graduated from The University of Manchester with a bachelor's degree in international management in 2015. Ms. Chan has worked as the vice president in Shenzhen Nanyin Investment Holdings Ltd, which mainly deals with real estate and financial equity investment, and was in charge of corporate finance. Before that, she has interned in China Cinda (HK) Asset Management Company Limited, where she mainly focused on loan and special type of investments. Moreover, Ms. Chan is a daughter of Mr. Chen Chunhui, who is interested in 450,960,000 shares, representing approximately 7.58% of the issued share capital of the Company as at the date of this report.

Ms. Shi Yanxin (施雁欣), aged 27, is an executive director of the Company. She obtained a Bachelor Degree in International Business Communication from the University of Portsmouth in 2015. She has been the director of marketing of 深圳市匯銀投資發展有限公司 (Shenzhen Huiyin Investment Development Co., Ltd.*) since August 2015 and is mainly responsible for sales and marketing, including but not limited to formulating the company's marketing strategy and marketing plan as well as organizing marketing events.

Mr. Miao Xiaoxing (繆曉星), aged 49, is an executive director and the chief financial officer of the Company. He completed the undergraduate top-up programme from Nanjing University in December 1993. Mr. Miao has been a certified public accountant with the Ministry of Finance of the People's Republic of China since May 1998 and a registered non-practising certified public accountant with the JiangSu Institute of Certified Public Accountants since June 2015. From 2006 to 2017, Mr. Miao served as a senior finance manager at Texhong (China) Investment Co., Ltd., a subsidiary of Texhong Textile Group Limited (stock code: 2678), the shares of which are listed on the Main Board of the Stock Exchange. Since 2018, Mr. Miao has been serving as the financial director of Shanghai Fujita. Mr. Miao has extensive experience in accounting and financing.

NON-EXECUTIVE DIRECTOR

Mr. Liang Bing (梁冰), aged 33, is a non-executive director and a member of the strategic development committee of the Company. He obtained a Bachelor's Degree in Law from Wuhan University in 2007. He had been granted a legal practicing license by Zhejiang Provincial Department of Justice in 2014. From July 2007 to September 2011, Mr. Liang worked in the legal department of Suning Appliance Group. He served as trainee lawyer and a lawyer at Beijing Zhongyin Hangzhou Law Firm from September 2011 to January 2018. Since January 2018, Mr. Liang served as a lawyer at Dentons, Hangzhou branch. Mr. Liang has extensive experience in the legal industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Chi Yan (黃志恩), aged 37, was appointed as an independent non-executive director, a member of each of the audit committee and remuneration committee of the Company and the chairman of the nomination committee of the Company with effect from 23 October 2017. She has been re-designated as the chairman of the audit committee and the remuneration committee of the Company on 1 December 2017. Ms. Wong holds a bachelor of business administration degree in accounting from Hong Kong Baptist University and a master of laws in international corporate and financial law from The University of Wolverhampton, UK. She is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Wong has extensive experiences in auditing, accounting and financing as well as merger and acquisition.

Ms. Wong is currently an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), Success Dragon International Holdings Limited (stock code: 1182), and the company secretary and authorised representative of Flyke International Holdings Ltd. (stock code: 1998) and China Properties Investment Holdings Limited (stock code: 736), companies listed on the Main Board of the Stock Exchange. She is also the company secretary of Goldway Education Group Limited (stock code: 8160), a company listed on the GEM of the Stock Exchange from October 2018.

Ms. Wong was an executive director and authorised representative of Elegance Optical International Holdings Limited (stock code: 907), a company listed on the Main Board of the Stock Exchange from February 2017 to October 2018. Ms. Wong was also an executive director of CHerish Holdings Limited (stock code: 2113) from October 2017 to June 2018, a company listed on the Main Board of the Stock Exchange. She was also an executive director and authorised representative of Aurum Pacific (China) Group Limited (stock code: 8148) from May 2015 to October 2017. She was also an executive director, company secretary and authorized representative of PPS International (Holdings) Limited (stock code: 8201) from June 2015 to July 2016, companies listed on the GEM of the Stock Exchange. She was also the executive director of China Taifeng Beddings Holdings Limited (stock code: 873) from July 2016 to August 2016, a company listed on the Main Board of the Stock Exchange. She was an independent non-executive director of Ding He Mining Holdings Limited (stock code: 705) from January 2018 to July 2018, a company listed on the Main Board of the Stock Exchange. She was an independent non-executive director of China Brilliant Global Limited (formerly known as Prosten Health Holdings Limited) (stock code: 8026) from June 2015 to October 2015, a company listed on the GEM of the Stock Exchange. She was also an independent non-executive director of Asia Television Holdings Limited (formerly known as CoProsperity Holdings Limited) (stock code: 707) from October 2015 to January 2016, a company listed on the Main Board of the Stock Exchange. She was the company secretary and authorised representative of Fullsun International Holdings Group Co., Limited (formerly known as U-RIGHT International Holdings Limited) (stock code: 627) from September 2013 to April 2016, a company listed on the Main Board of the Stock Exchange.

Mr. Lu Jianzhi (盧建之), aged 48, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company. He obtained a Masters' Degree in Business Administration from Hunan University in 2007. Mr. Lu served as the chairman of Zhongke Hengyuan Technology Co., Ltd.* (中科恒源科技股份有限公司) from 2006 to 2009. He was the chairman of Hunan Xianghui Asset Management Co., Ltd.* (湖南湘暉資產經營股份有限公司) from 2012 to 2016. From 2015 to 2017, he served as the chairman of Joyvio Agriculture Development Co., Ltd. (佳沃農業開發股份有限公司) (formerly known as Wanfu Biotechnology (Hunan) Agriculture Development Co., Ltd. (萬福生科(湖南)農業開發股份有限公司)), the shares of which are listed on Shenzhen's ChiNext board (stock code: 300268). Since August 2018, Mr. Lu served as the deputy chairman and a director of Geo-Jade Petroleum Corporation (洲際油氣股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600759). Mr. Lu has extensive management experience across various industries.

Mr. Wang Zhifeng (汪志鋒), aged 41, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company. He obtained a Bachelor's Degree in Economics from Zhejiang University of Finance & Economics in 1999 and a Masters' Degree in Criminal Justice from University of Maryland in 2013. He had been granted a legal practicing license by Zhejiang Provincial Department of Justice in 2003. From August 1999 to October 2001, Mr. Wang served as an account manager at Zhejiang Jiashan Telecommunications Bureau. From November 2001 to December 2010, he worked as a lawyer at Zhejiang Xintao Law Firm. Mr. Wang was an executive director and a senior partner at Beijing Zhongyin Hangzhou Law Firm from January 2011 to December 2017. Since January 2018, he has been serving as a senior partner at Dentons, Hangzhou branch. Mr. Wang has extensive experience in the legal industry.

SENIOR MANAGEMENT

Mr. Yam Wan Fung (任雲峰), has been appointed as the company secretary and the authorised representative of the Company on 24 July 2018. Mr. Yam holds a bachelor's degree of business administration (Honours) in marketing from The Hong Kong University of Science and Technology. He is a practising member of the Hong Kong Institute of Certified Public Accountants and has extensive experience in audit, accounting and financial advisory. Mr. Yam is not an employee of the Company but has been appointed as the company secretary and the authorised representative of the Company pursuant to the Company's engagement of an external company secretarial services provider to provide company secretarial services to the Company.

* *For identification only*

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for securities transactions by directors. All members of the Board as at 27 September 2018 have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the year ended 30 June 2018.

BOARD OF DIRECTORS

The Directors during the year ended 30 June 2018 and as at the date of publication of this report were as allows:

Executive Directors

Chen Jin (Chairman and Chief Executive Officer) (appointed on 18 October 2018)
Wong Kui Shing, Danny (appointed on 8 May 2017)
Chan Christina (Chief Financial Officer) (appointed as Executive Director and Chief Financial Officer on 7 June 2017 and resigned as Chief Financial Officer on 18 October 2018)
Shi Yanxin (appointed on 7 September 2018)
Miao Xiaoxing (Chief Financial Officer) (appointed as Executive Director and Chief Financial Officer on 18 October 2018)
Zhou Guohua (Chairman) (appointed as Executive Director on 8 August 2016 and appointed as Chairman on 2 June 2017 and resigned on 1 December 2017)
Meng Xiaoqian (Chief Executive Officer) (appointed as Executive Director on 2 June 2017 and appointed as Chief Executive Officer on 7 June 2017 and resigned on 6 June 2018)
Xu Zhifeng (resigned on 27 September 2017)
Chan Shun Yee (redesignated to Non-Executive Director on 4 November 2016 and resigned on 27 September 2017)
Meng Zhaoyi (Chairman) (appointed as Chairman and Executive Director on 13 December 2017 and resigned on 1 August 2018)
Jin Zhongkao (Chief Executive Officer) (appointed as Chief Executive Officer and Executive Director on 12 July 2018 and resigned on 31 August 2018)

Non-Executive Directors

Liang Bing (appointed on 18 October 2018)
Xiao Liang (appointed on 21 May 2018 and resigned on 18 October 2018)
Zhou Jian (appointed on 2 June 2017 and resigned on 1 December 2017)
Chan Shun Yee (redesignated from Executive Director on 4 November 2016 and resigned on 27 September 2017)
Li Wenjun (appointed on 16 January 2018 and resigned on 12 July 2018)

Independent Non-Executive Directors

Wong Chi Yan (appointed on 23 October 2017)
Lu Jianzhi (appointed on 18 October 2018)
Wang Zhifeng (appointed on 18 October 2018)
Chan Wai Kit (appointed on 13 December 2017 and resigned on 18 October 2018)
Ng Kwok Kei Sammy (appointed on 2 June 2017 and resigned on 1 December 2017)
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)
Su Rujia (resigned on 27 September 2017)
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)

CORPORATE GOVERNANCE PRACTICES

The Company is committed to establish and maintain high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

During the year ended 30 June 2018, the Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance practices (the "Code") contained in Appendix 14 to the Listing Rules except for the deviations from Code provisions A.2.1, A.2.7, A.4.1 and C.1.2 as stated and explained below.

The Board assumes responsibility for leadership and control of the Company and shall be collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board formulates overall strategies and policies of the Group and monitors the performance and activities of the management. With delegating authorities from the Board, the management of the Company is responsible for the day-to-day operations of the Group.

To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board as at 27 September 2018.

Code Provision A.2.1 — Roles of chairman and chief executive to be separate

Under Code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of Mr. Zhou Guohua as the chairman of the Company with effect from 1 December 2017 and during part of the Year, the Company did not appoint any individual to be the chairman of the Company as the Board was still in the process of identifying a suitable candidate. As a result, the functions of the chairman had been performed collectively by the Board for the period from 1 December 2017 to 12 December 2017. The Board considered that this arrangement allowed contributions from all directors with different expertise and was beneficial to the continuity of the Company's policies and strategies. Following Dr. Meng Zhaoyi's appointment as the chairman of the Company with effect from 13 December 2017, the Company has complied with the Code provision A.2.1. Following the resignation of Ms. Meng Xiaoqian as the chief executive officer of the Company with effect from 6 June 2018 and during part of the Year, the Company did not appoint any individual to be the chief executive officer of the Company as the Board was still in the process of identifying a suitable candidate. As a result, the functions of the chief executive had been performed collectively by the Board. The Board considered that this arrangement allowed contributions from all directors with different expertise and was beneficial to the continuity of the Company's policies and strategies.

Code Provision A.2.7 — Annual meetings between chairman and non-executive directors

Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year ended 30 June 2018, a formal meeting could not be arranged between the chairman of the Board and the non-executive Directors (including Independent non-executive Directors) without the executive Directors present due to their tight schedules. Although such meeting was not held during the Year, the chairman of the Board could be contacted by email or phone to discuss any potential concerns and/or questions that the non-executive Director and the independent non-executive Directors might have and would arrange to set up follow-up meetings, whenever necessary.

Code Provision A.4.1 – Non-Executive Directors to be appointed for a specific term

Under Code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. During the year ended 30 June 2018, certain non-executive Directors and independent non-executive Directors were not appointed for a specific term. However, under the articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation every year at the annual general meeting of the Company provided that every Director shall retire by rotation at least once every three years. Hence the terms of appointment of the non-executive Directors and independent non-executive Directors are limited accordingly.

Code Provision C.1.2 — Monthly updates of the Company from management

Code provision C.1.2 provides that management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management keeps providing information and updates to the members of the Board as and when appropriate.

BOARD MEETINGS

For a regular board meeting, notice of at least fourteen days is given to all Directors, who are given an opportunity to include matters in the agenda for discussion, and an agenda and accompanying board papers are sent to all directors of the Company at least three days before the intended date of a regular board meeting.

Minutes of board meetings and meetings of board committees are kept by the secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of board meetings are sent to all directors of the Company for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

During the year ended 30 June 2018, 36 full board meetings were held and the individual attendance of each Director at the board meetings was as follows:

Directors	Board meeting Attendance	General meeting Attendance
Executive Directors		
Wong Kui Shing, Danny (appointed on 8 May 2017)	28/36	1/1
Chan Christina (Chief Financial Officer) (appointed as Executive Director and Chief Financial Officer on 7 June 2017)	35/36	1/1
Shi Yanxin (appointed on 7 September 2018)	N/A	N/A
Zhou Guohua (Chairman) (appointed as Executive Director on 8 August 2016 and appointed as Chairman on 2 June 2017 and resigned on 1 December 2017)	18/18	N/A
Meng Xiaoqian (Chief Executive Officer) (appointed as Executive Director on 2 June 2017 and appointed as Chief Executive Officer on 7 June 2017 and resigned on 6 June 2018)	32/33	1/1
Xu Zhifeng (resigned on 27 September 2017)	7/11	N/A
Meng Zhaoyi (Chairman) (appointed as Chairman and Executive Director on 13 December 2017 and resigned on 1 August 2018)	13/14	N/A
Jin Zhongkao (Chief Executive Officer) (appointed as Chief Executive Officer and Executive Director on 12 July 2018 and resigned on 31 August 2018)	N/A	N/A
Non-Executive Directors		
Xiao Liang (appointed on 21 May 2018)	1/3	N/A
Zhou Jian (appointed on 2 June 2017 and resigned on 1 December 2017)	10/19	N/A
Chan Shun Yee (redesignated from Executive Director on 4 November 2016 and resigned on 27 September 2017)	4/11	N/A
Li Wenjun (appointed on 16 January 2018 and resigned on 12 July 2018)	6/13	N/A
Independent Non-Executive Directors		
Wong Chi Yan (appointed on 23 October 2017)	19/22	1/1
Chan Wai Kit (appointed on 13 December 2017)	13/14	N/A
Ng Kwok Kei Sammy (appointed on 2 June 2017 and resigned on 1 December 2017)	11/20	N/A
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)	23/36	1/1
Su Rujia (resigned on 27 September 2017)	1/11	N/A
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)	3/11	N/A

Listing Rules 3.10(1), 3.10A and 3.21

Rule 3.10(1) of the Listing Rules requires the Company to maintain the Board which includes at least three independent non-executive directors, Rule 3.10A of the Listing Rules requires the Company to appoint independent non-executive directors representing at least one-third of the Board, and Rule 3.21 of the Listing Rules requires the Audit Committee must comprise a minimum of three members.

Following the appointment of Ms. Wong Chi Yan as an independent non-executive Director, a member of each of the Audit Committee and Remuneration Committee and the chairman of the Nomination Committee on 23 October 2017, the Company has complied with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

On 1 December 2017, Mr. Ng Kwok Kei Sammy resigned as an independent non-executive Director, chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. On 13 December 2017, Mr. Chan Wai Kit was appointed as an independent non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. During the period from 1 December 2017 to 13 December 2017, the Company had (i) two independent non-executive Directors, which results in the then number of independent non-executive Directors falling below the minimum number required under Rule 3.10(1) of the Listing Rules; and (ii) two Audit Committee members, which results in the then number of Audit Committee members falling below the minimum number required under Rule 3.21 of the Listing Rules.

Subsequent to the reporting period, following the resignation of Mr. Chen Zhihua as independent non-executive Director on 19 July 2018, the Company has two independent non-executive Directors and two Audit Committee members. As a result, the current number of independent non-executive Directors and Audit Committee members falls below the minimum number required under Rule 3.10(1), Rule 3.10A and Rule 3.21 of the Listing Rules.

On 18 October 2018, Mr. Chan Wai Kit resigned as the independent non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee, and each of Mr. Lu Jianzhi and Mr. Wang Zhifeng has been appointed as the independent non-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Saved for the above disclosed, the Company has complied with Rules 3.10(1), 3.10A and 3.21 during the year ended 30 June 2018 and up to the date of publication of this report.

Independent Non-executive Directors

The Board has been in compliance with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialised in accounting or relevant financial management. The Company has received the confirmation from each of the Independent Non-Executive Directors as at 27 September 2018 confirming that they were in compliance with Rule 3.13 of the Listing Rules in respect of their independence for the year ended 30 June 2018. The Company is of the opinion that all of the Independent Non-Executive Directors as at 27 September 2018 were independent for the year ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee currently comprises of three Independent Non-Executive Directors, namely Ms. Wong Chi Yan (chairman of the committee), Mr. Lu Jianzhi and Mr. Wang Zhifeng. Ms. Wong Chi Yan possesses appropriate professional accounting qualifications and related financial management expertise as required under rule 3.10 (2) of the Listing Rules.

The Audit Committee meets at least twice a year. The terms of reference of Audit Committee are available on the Company's website and the website of the Stock Exchange.

The primary duties of the Audit Committee include the review and supervision of the financial reporting process, risk management and internal control system, review and monitor the effectiveness of the internal audit function and the review of the interim and annual results and reports of the Group.

During the year ended 30 June 2018, 4 meetings were held by the Audit Committee to review the annual report of the Group for the year ended 30 June 2017 and the interim report of the Group for the six months ended 31 December 2017 before submission to the Board for approval, and to provide advice and comments thereon to the Board. The individual attendance of each member at the Audit Committee meetings was as follows:

Members	Attendance
Wong Chi Yan (Chairman) (appointed on 23 October 2017 and re-designated as chairman on 1 December 2017)	2/2
Chan Wai Kit (appointed on 13 December 2017)	2/2
Ng Kwok Kei Sammy (Chairman) (appointed on 2 June 2017 and resigned on 1 December 2017)	2/2
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)	2/4
Su Rujia (resigned on 27 September 2017)	0/1
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)	1/1

For the year ended 30 June 2018, the work performed by the Audit Committee included:

- reviewing the annual report which comprised the audited consolidated financial statements for the year ended 30 June 2018; and
- reviewing the final results announcement; and
- reviewing the interim report and interim results announcement; and
- reviewing the significant accounting issues raised by the management; and
- reviewing the Company's compliance with regulatory and statutory requirements; and
- reviewing the Group's risk management and internal control system; and
- reviewing the effectiveness of the Group's internal audit function.

The Audit Committee of the Company has reviewed the Group's financial results for the year ended 30 June 2018.

NOMINATION COMMITTEE

The Nomination Committee has been established on 7 June 2017. It currently comprises of three Independent Non-Executive Directors of the Company, namely Ms. Wong Chi Yan (chairman of the committee), Mr. Lu Jianzhi and Mr. Wang Zhifeng.

The Nomination Committee meets at least once a year. The terms of reference of Nomination Committee are available on the Company's website and the website of the Stock Exchange.

The primary duties of the Nomination Committee are, among others, to (i) review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of the independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The Committee is regulated by the terms of reference which follow closely the requirements of the CG Code and shall be modified and approved by the Board from time to time.

During the year ended 30 June 2018, the Nomination Committee have reviewed the structure, size and composition of the Board, the retirement and re-election of the Directors at the forthcoming annual general meeting and considered the appointments of new Directors. All of the newly appointed Directors were appointed by going through the selection process stated as above. The Nomination Committee held 4 meetings and the individual attendance of each member at the Nomination Committee meetings was as follows:

Members	Attendance
Wong Chi Yan (Chairman) (appointed on 23 October 2017)	2/2
Chan Wai Kit (appointed on 13 December 2017)	1/1
Ng Kwok Kei Sammy (Chairman) (appointed on 2 June 2017 and resigned on 1 December 2017)	2/2
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)	4/4
Su Rujia (resigned on 27 September 2017)	0/1
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)	0/1

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises of three Independent Non-executive Directors, namely Ms. Wong Chi Yan (chairman of the committee), Mr. Lu Jianzhi and Mr. Wang Zhifeng.

The Remuneration Committee meets at least once a year. The terms of reference of Remuneration Committee are available on the Company's website and the website of the Stock Exchange.

The roles and functions of the Remuneration Committee primarily include reviewing, considering and approving proposals as well as making recommendations to the Board on the Company's policy and structure relating to the remuneration of directors and senior management. During the year ended 30 June 2018, the Remuneration Committee held 5 meetings.

The individual attendance of each member at the Remuneration Committee meetings was as follows:

Members	Attendance
Wong Chi Yan (Chairman) (appointed on 23 October 2017 and re-designated as chairman on 1 December 2017)	3/3
Chan Wai Kit (appointed on 13 December 2017)	2/2
Ng Kwok Kei Sammy (Chairman) (appointed on 2 June 2017 and resigned on 1 December 2017)	2/2
Chen Zhihua (appointed on 7 June 2017 and resigned on 19 July 2018)	4/5
Su Rujia (resigned on 27 September 2017)	0/1
Wang Edward Xu (appointed on 14 December 2016 and resigned on 27 September 2017)	0/1

During the meetings, the Remuneration Committee reviewed and recommended to the Board the remuneration packages for all Directors, the employee's salary increment proposal and relevant reports.

Details of remuneration paid to member of senior management for the year ended 30 June 2018 fell within the following band:

	Number of individual
HK$1,000,001 – HK$1,500,000	1

STRATEGIC DEVELOPMENT COMMITTEE

The Strategic Development Committee has been established on 29 August 2017. It currently comprises of three Directors, namely Mr. Wong Kui Shing, Danny, Ms. Chan Christina and Mr. Liang Bing.

The Strategic Development Committee meets at least once a year. The terms of reference of Strategic Development Committee are available on the Company's website and the website of the Stock Exchange.

The primary duties of the Strategic Development Committee are to (i) review and advise on the mid to long term strategic positioning, business plans, brand strategies, investment decisions and mergers and acquisitions of the Group; (ii) monitor, review and advise on the implementations of strategic plans of the Group; and (iii) make recommendations to the Board.

During the year ended 30 June 2018, the Strategic Development Committee held 2 meetings.

Members	Attendance
Wong Kui Shing, Danny (appointed on 29 August 2017)	1/2
Chan Christina (appointed on 1 December 2017)	1/1
Zhou Guohua (Chairman) (appointed on 29 August 2017 and resigned on 1 December 2017)	1/1
Meng Xiaoqian (appointed on 29 August 2017 and resigned on 6 June 2018)	2/2
Zhou Jian (appointed on 29 August 2017 and resigned on 1 December 2017)	1/1
Meng Zhaoyi (Chairman) (appointed on 13 December 2017 and resigned on 1 August 2018)	1/1
Jin Zhongkao (appointed on 12 July 2018 and resigned on 31 August 2018)	0/1

BOARD DIVERSITY POLICY

The Nomination Committee is responsible for monitoring the achievement of the measureable objectives set out in the Board Diversity Policy which sets out the approach to achieve diversity on the Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, selection of candidates of the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

AUDITOR'S REMUNERATION

During the year ended 30 June 2018, the remuneration paid/payable to the Company's auditor, Elite Partners CPA Limited, is set out as follows:

Nature of Services	**Fee paid/payable** HK$'000
Audit services	920
Non-audit services	210
Total:	1,130

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE ACCOUNTS

The Directors as at 27 September 2018 acknowledge their responsibility for preparing the accounts of the Group for the year ended 30 June 2018.

The statement by Messrs. Elite Partners CPA Limited, the existing external auditor of the Company, with regard to its reporting responsibilities on the accounts of the Group is set out in the Independent Auditor's Report on pages 45 to 50.

As at 30 June 2018, the Directors as at 27 September 2018 confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors as at 27 September 2018 have prepared the accounts of the Group on a going concern basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 30 June 2018, each newly appointed Director received induction on the first occasion of his/her appointment, so as to ensure that he/she has an appropriate understanding of the business and operations of the Company.

To assist directors' continuing professional development ("CPD"), the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All Directors also participate in continuous professional development programmes to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary of the Company.

During the year ended 30 June 2018, all Directors as at 27 September 2018 have participated in continuous professional development to develop and refresh their knowledge and skills.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has in place appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against directors and officers of the Group arising out of corporate activities.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and

(d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

According to article 83(3) of the article of association of the Company, Ms. Shi Yanxin, Mr. Chen Jin, Mr. Miao Xiaoxing, Mr. Liang Bing, Mr. Lu Jianzhi and Mr. Wang Zhifeng shall retire from office at the forthcoming annual general meeting of the Company and shall offer themselves for re-election.

According to article 84(1) of the article of association of the Company, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting of the Company provided that every Director shall be subject to retirement by rotation at least once every three years. Three retiring Directors shall be eligible for re-election. Mr. Wong Kui Shing, Danny, Ms. Chan Christina and Ms. Wong Chi Yan shall retire from office at the forthcoming annual general meeting of the Company and shall offer themselves for re-election.

The Board has set measurable objectives based on four focus areas: gender, age, working experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

COMPANY SECRETARY

Throughout the year ended 30 June 2018, Ms. Wong Siu Fan was the company secretary of the Company (the "Company Secretary"). Ms. Wong has taken no less than 15 hours of relevant professional training during the financial year ended 30 June 2018 to comply with Rule 3.29 of the Listing Rules. Ms. Wong resigned as the Company Secretary with effect from 24 July 2018.

Mr. Yam Wan Fung has been appointed as the Company Secretary with effect from 24 July 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee annually reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The Board oversee the management of the Group in designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The management has maintained certain procedures to identify the business risk and developed risk handling strategy as well as the internal control procedures to reduce the adverse impact and the occurrence opportunity of risks associated with the business.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control system are design to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the year ended 30 June 2018, the Group has also engaged an external advisory firm to undertake the internal audit function to perform the internal audit procedures on the corporate governance, financial reporting and information system functions and another specific internal control review report in relation to investment policy and procedure to address the effectiveness and efficiency of the risk management and internal control system of the Group. The Group is considering the recommendations on the deficiencies identified by the external advisory firm and expects to complete the implementation of the aforesaid recommendations within 3 to 6 months.

The Board will oversee the Group's risk management and internal control systems on an ongoing basis to ensure the effectiveness and adequacy of the risk management and internal control system are properly in place. The Board will identify the risks associate with the business of the Group by considering both internal and external factors and events which include political, economic, technology, environment, social and staff. Each of risks will be assessed and prioritized based on their relevant impact and occurrence opportunity. Relevant risk management strategy will be applied to each type of risks according to the assessment results.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an Extraordinary General Meeting ("EGM").

— Right to convene Extraordinary General Meeting

Any one or more members holding at the date of the deposit of the requisition 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 sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at 26/F, Great Smart Tower, No. 230 Wan Chai Road, Wan Chai, Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner within two months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

— Right to put forward proposals at general meetings

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Company's Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website.

CONSTITUTIONAL DOCUMENTS

During the year ended 30 June 2018 and up to the publication of this report, the Company's constitutional documents have not been amended.

ABOUT THIS REPORT

Huiyin Holdings Group Limited (the "Company" or "Huiyin") and its subsidiaries (collectively, the "Group") are pleased to deliver the Group's second Environmental, Social and Governance ("ESG") report (the "Report").

This Report is prepared in accordance with ESG Reporting Guide, issued under Appendix 27 of the Main Board Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited ("SEHK"). It complies with the "comply or explain" provisions of said ESG Reporting Guide.

The Report aims to present the Group's sustainability policies, practices, and performances in three areas, namely Our Operations, Our People, and Our Environment. All information disclosed in this Report is compiled by relevant departments based on existing policies, practices and official documents, as the Group strive to keep its disclosure accurate, transparent and responsible. The Board of Directors (the "Board") is responsible for the Group's ESG strategy and reporting, and is committed to communicate its ESG performance through ESG reporting annually.

Reporting Scope

The scope of this Report covers the Group's offices in Hong Kong and production operations in the People's Republic of China (the "PRC"), as they contribute the most material environmental, social and economic impact to the Group's operations. The Reporting Scope of this report currently only limits to the Group's own impact within its own financial and operational control.

However, as the Group strives for further transparency, it intends to gradually improve its reporting capabilities and expand the scope of its future ESG Reports.

Reporting Period

The Reporting Period of this Report spans the last financial year from 1 July 2017 to 30 June 2018, unless specified otherwise.

Reporting Framework

SEHK's ESG Reporting Guide.

Your feedback on this Report and the Group's sustainability effort is highly appreciated and valued. Should you have any comments or suggestions, please feel free to contact us:

Huiyin Holdings Group Limited

Address: 26/F, Great Smart Tower, No. 230 Wan Chai Road, Wan Chai, Hong Kong

OUR STAKEHOLDERS

Stakeholders are defined as groups of people who are influenced by, or are able to influence the Group's operations. Their interests, concerns and satisfactory levels often intertwine with the Group's performance and operation. Communications is key to understanding and addressing their expectations and concerns on an ongoing basis, and is core to continuously perfecting and improving our operations and impact.

The Group's key stakeholder groups include its shareholders and investors, employees, customers, suppliers, as well as community groups. Within the Reporting Period, the Group has engaged its key stakeholder groups through various channels, including business meetings and correspondences, performance appraisal meetings, personal contacts, site visits, company websites, annual and interim reports, as well as press releases and announcements. All stakeholder concerns are handled and resolved with due care during the Reporting Period.

OUR BUSINESS

The Group specialises in the manufacturing and sales of BIOenergy products; trading of healthcare food products, electronic products and other products; properties investments; and provision of loan financing. The regions of all sub-companies can be divided into manufacturing and sales of BIOenergy products, other healthcare products and properties investments in the PRC; trading healthcare food products, property investments, and loan financing in Hong Kong.

Business Conduct

The Group operates with high level of integrity and corporate ethics. Good corporate governance is a cornerstone in realising healthy corporate growth and building long-lasting and trustworthy business relationships.

At the minimum, the Group adheres to all applicable statutory and regulatory requirements, especially for material ESG aspects that have a significant impact on the Group's operations. Industry standards and practices are also observed and benchmarked for the most suitable applications in various situations. During the Reporting Period, the Group was not aware of any material non-compliance incidents with relevant statutory or regulatory requirements that has a significant impact on its operations.

The Group believes in fairness and honesty in all its business dealings. The Group strictly prohibits any form of corruption, bribery, or money laundering activities under any circumstances. In line with the Prevention of Bribery Ordinance ("Ordinance") and relevant legislation in PRC, the Group prohibits bribery and sets out standards of integrity for the Group's employees when they are conducting business. The Ordinance lays out clear guidelines for employees, such as decline advantages offered in connection with their duties. If any of the employee is found to breach the above terms, internal disciplinary or legal actions will be taken. During the Reporting Period, there were no cases of non-compliance with laws and regulations in relation to corruption, bribery, extortion, fraud, or money laundering, and the Group shall continue to closely monitor all activities.

Employees are encouraged to report unusual or suspicious activities or violation of business conduct to senior management of the Group, who will investigate each case with sensitivity and will determine best course of action.

Confidential information shall be handled and process with due care. Employees are forbidden to discuss any confidential information in public. Consumer information are considered confidential, and are treated in accordance with the Personal Data (Privacy) Ordinance, which protects the privacy rights of a person in relation to personal data. Disclosure of certain confidential material may lead to disciplinary or legal actions.

The Group respects intellectual property rights of all regions the Group operates in, including Hong Kong and PRC. The Group protects its own intellectual properties, including trademarks and patents, and abides by relevant regulations on the protection of intellectual property rights. During the Reporting Period, the Group is not aware of any person or entity infringing on its own intellectual properties, nor has the Group infringed on anyone else's intellectual properties.

Supply Chain Management

The Group strives to establish a long-term collaborative relationship with its strategic suppliers, thereby ensuring stable supply and minimising any adverse impacts within its operations and value chain. The Group strives to establish a comprehensive vertical supply chain management system through resource integration and supplier screening and management.

The Group's main supply chain partners are its suppliers. Not only does suppliers' quality of raw material and products directly impact the Group, the health and safety of consumers are also significant to maintaining the sustainable development of the Group. Hence, the Group is meticulous in evaluation, selection and control of suppliers. The Group selects international and local suppliers with good reputation and integrity.

To monitor suppliers' performances, the Group carried out regular reviews for raw materials. Supplier suspension may be conducted, if significant deterioration was found in the quality of materials. This ensures that suppliers conform to the Group's standard.

Product Responsibility

In light of the Group's business nature in healthcare products, delivering quality, healthy and safe products in a professional and responsible manner is crucial to the Group's sustainable development. The Group pays particular attention to adhering to all relevant standards of product health and safety, in accordance with applicable laws and regulations.

Strict policies are in place to verify product quality. Quality and safety testings are conducted to ensure the standards of products are approved by the Hong Kong Government and the PRC. In Hong Kong, all healthcare products must be tested and approved by the CMA Testing and Certification Laboratories, prior to shelving at various retailers. The Group also complies with stringent requests of partial retailers, who require product return near end of shelf life. Proper disposal of those products past shelf life are implemented to ensure safe products for users.

The Group also considers the importance of customer satisfaction. The Group has adopted policies to ensure customer satisfaction and have allowed customers to return any defective products up to one year.

OUR PEOPLE

Employees are cornerstone to the Group's corporate success and sustainable development. The Group aims to provide a healthy, safe and diverse workplace that is free from discrimination and harassment.

Employment and Employee Well-Being

As an equal opportunity employer, it is highly critical for the Group to create a pleasant work environment that values equal opportunities and diversity, in order to attract and retain talents. All employees are treated fairly and equally, and are free from discrimination in all aspects of employment, including recruitment and promotion.

To protect the rights and benefits of employees, the Group has set out requirements on compensation and remuneration, recruitment, promotion and dismissal, working hours, rest periods, and other benefits as part of the existing employment policies of the Group.

Equal opportunity and anti-discriminatory employment practices cultivate a diverse and balance company culture. The Group is committed to having a workplace environment that is free from discrimination and that grants equal opportunities for all people, regardless of age, gender, race, sexual orientation, disability or marital status.

Performance review are conducted annually, where employees are given the opportunity to discuss openly with the management their work performance and career development. Employees are encouraged to seek guidance or initiative discussions if they have any job-related problems or have questions about their performance.

During the Reporting Period, the Group has observed and complied with all relevant employment and labour laws and regulations, such as the Labour Law of the People's Republic of China《中華人民共和國勞動法》, Labour Contract Law of People's Republic of China《中華人民共和國勞動合同法》. Further, there were no relevant cases of labour disputes, litigation or complaints.

Health and Safety

The Group is committed to providing a safe and healthy work environment. The Group recognizes health and safety at work as the interest and responsibility of the Group and its employees. Hence, the Group provides medical insurance and other health benefit for employees, and closely monitors health and safety issues in the workplace and adequately addresses such issues as they arise.

The Group regularly assesses emerging risks and other health and safety issues. In order to protect workers and control risks, workplace hazards have been accurately identified, using a systematic approach to correct unsafe conditions.

To guarantee safety, the Group sets a strict space constraint in the factory, ensuring a safe distance between the machine and the people in order to avoid unnecessary accidents. Production staff are equipped with personal protective equipment to minimize the negative impact on employees' health. Employees who work at the production area are required to attend a production safety training every quarter.

Apart from production safety, fire safety is also a main concern of the PRC operation. The production facilities have a fire safety management system in place, which lists out the Group's measures and policies on fire safety. As a precautionary measure, the safety team of the Group inspects the electricity usage and fire safety on site every week. Remedial actions are performed timely and appropriately whenever a fire risk is discovered. In addition, the Group arranged a fire safety training and a safety drill in May 2018 to enhance employees' awareness towards the issue. Employees learnt the importance of maintaining a workplace that is free from fire risks, and were reminded about the key practices to prevent fire outbreak during the training. Similar fire safety events are held annually.

During the Reporting Period, the Group has recorded zero major accidents and incidents, and zero work-related fatalities.

Development and Training

Employees' continuous professional development is important to the Group. The Group is dedicated to providing employees opportunities to learn important and transferable skills that would allow them to improve their job performance and to advance in their future career development. The Group encourages employees for continuous development and improves their skill set through various training programmes.

The Group provides designated training for directors, in relation to directors' responsibilities and essential skills, including continuing obligations, notifiable transactions, non-competition undertakings, corporate governance code and market misconduct, in order to have better understanding of laws and regulation under Securities and Futures Commission and The Stock Exchange of Hong Kong Limited.

The Group also provides internal trainings to develop its workforce. The Group evaluates the training programs periodically and reviews the effectiveness of the training. The Group conducts regular performance reviews and hands-on trainings for its healthcare products sales staff. Solid advice and trainings on communication skills and sales skills will be provided to the staff to foster their continuous development and growth. Another significant training program is orientation and on-board trainings for new staff to efficiently adapt to the operation of the Group, and to strengthen the skill and knowledge required at work. It is important for employees to perform tasks safely, follow safety work procedures, and operate machineries and equipment carefully.

Labour Standards

Child and forced labour violate fundamental human rights and threaten the sustainable development of the Group. The Group is committed to avoiding child or forced labour in its operations, in addition to complying with all relevant laws and regulations.

Any individuals hired under legal working age and without any identification documents are disqualified from employment. It is the Group's policy to disqualify the person from employment if he or she is found to be hired against the requirements of the Labour Contract Law. To this end, Human Resource Department conducts all relevant identity and background checks, prior to the hiring of all personnel within the Group. Human Resource Department is also responsible to review employment practices to ensure effective elimination of child and forced labour within the Group's operations. In case of any unlawful labour is discovered, the Group would immediately assist the employee and cooperate with relevant labour authorities.

The Group follows the laws and regulations prohibiting child labour and forced labour, which mainly include:

- Employment Ordinance of HKSAR
- Labour Law of the PRC
- Labour Contract Law of the PRC
- Law of the PRC on Protection of Minors
- Regulations on Prohibiting Use of Child Labour

During the Reporting period, the Group is not aware of any non-compliance cases of relevant laws and regulations in relation to labour standards, namely preventing the use of child and forced labour, within its operations.

Community

The Group is proud to support the community its business and people rely upon. Not only does the Group strive to minimise the impacts it imposes on the neighbourhood, it also tries to create positive influence to the community.

During the Reporting Period, the Group organised an annual dinner for the enjoyment of its employees, which is regarded as a fundamental part of the community the Group serves. The annual dinner is held to thank the hard work and contribution of the staff. The Group also regarded it as a team building activity that could increase cohesiveness within departments. The Group's staff spent a wonderful evening with their team members.

To promote work-life balance of its employees, the Group's operation in the PRC organises badminton gatherings every week. Employees are encouraged to participate in the sports activities to relieve stress from work and to acquaintance colleagues from other departments to widen their social circle within the workplace.

The Group also strives to mobilise its employees to serve and volunteer for the community. Shortly after the super typhoon Hato raided the South China area in August 2017, a group of the Group's employees from the PRC operation participated in a community cleaning service activity. They helped clear the fallen trees and rubbish on the street to rehabilitate the city from the destruction of the super typhoon.

OUR ENVIRONMENT

The Group appreciates the environment and natural resources that allow its business to thrive, and acknowledges that these resources must be protected for its community, people and business to sustain. There must be collaborative actions across companies, industries, geographies, and even governments. From the Group's standpoint, there is a growing need for companies to actively seek for further environmentally-friendly alternatives to reduce the environmental impact of its operations.

The Group issued a Group-wide environmental policy guideline to guide its subsidiaries towards environmental sustainability within their own operations. The guideline details the Group's policies on reduce, reuse, recycle and replace, and is reviewed and revised annually. It also includes instructions to minimise environmental footprint of company festive gatherings. All employees are introduced to the policy upon joining the Group. The policy is also available on the server shared internally for employees' easy reference. The administration department is responsible to oversee the proper execution of the policies. Some major environmental measures of the Group as listed on the guidelines are as follows:

- Reduce consumption of paper, energy and water resources
- Reuse resources, including paper
- Recycle recyclables, including paper, metals, plastics, batteries and cutlery
- Replace non-environmentally-friendly officeware with greener options
- Ensure indoor air quality
- Handle waste appropriately
- Adopt energy efficient appliances

The Group also circulates environmental ideas and promotes environmental events on its notice boards to instil a green culture within its employees.

Regarding the disclosure of environmental data, the Group is committed to data accuracy and transparency. For missing environmental data, the Group is continuously working to implement an effective data collection and monitoring system.

During the Reporting Period, the Group has abided by all appropriate environmental laws and regulations.

Emissions

It is the Group's goal to minimise its emissions. Air emissions emerged from vehicle operations and energy consumption are the major emissions arise from the Group's operations.

The Group's vehicles may affect the people and neighbouring communities through its environmental impact. The Group therefore takes precaution and endeavours to minimise air emissions from its vehicles, including GHG emissions and other air pollutants, such as nitrogen oxides ("NO_X"), sulphur oxides ("SO_X") and respiratory suspended particles ("RSP", also known as Particulate Matter ("PM")). There is currently insufficient data to calculate an accurate amount of air pollutants the Group's vehicles emit, due to lack of monitoring systems practices in place. While the Group encourages its employees to travel via public transportations, other measures such as regular vehicle maintenance are conducted.

As climate change becomes increasingly severe, the Group must also consider its greenhouse gas ("GHG") emissions, as well as its long-term effect on the planet. The Group's GHG emissions mainly comprise of direct emissions from fuel combustions of its vehicles and indirect emissions from electricity consumption. The Group is committed to conducting annual evaluation of its GHG emissions, and seeking remediation and reduction initiatives the Group can contribute in, to reduce its emissions.

This year, the Group has invited an independent professional consultancy, CKP Sustainability Consultants, to assess its annual GHG emissions. The scope of the GHG emissions evaluation covers management offices in Hong Kong and production bases in the PRC within the Reporting Period.

The quantification methodology is based on the Guideline to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department and the Electrical and Mechanical Services Department in Hong Kong. It also references other international standards, such as ISO 14064 standards for greenhouse gas accounting and verification.

Scopes	Unit	GHG Emissions	Percentage
Scope I: Direct emissions	Tonnes CO2-e	24.77	19%
Scope II: Energy indirect emissions	Tonnes CO2-e	105.73	81%
Total	Tonnes CO2-e	130.50	100%
Intensity of GHG Emissions:			
By number of employees (per FTE)	Tonnes CO2-e/FTE	1.17	–

The Group will continue to assess, record and publicly disclose its annual GHG emissions. As electricity (representing Scope II emissions) is the higher contributor to the Group's GHG emissions, it shall seek initiatives to reduce its electricity consumption, thereby reducing its GHG emissions. Further information on electricity usage and reduction is located in the Energy Management section.

In addition, the Group is also committed to ensuring indoor air quality of its workplaces. Employees are encouraged to green the offices, and to keep the workplaces clean. By engaging employees in its environmental policies, the Group aspires to forge an environmentally friendly culture within, while motivates employees to fulfil their own individual environmental responsibilities.

Energy Management

The Group's energy consumption contributes the most to its GHG emissions, hence as part of an effort to reduce its GHG emissions, the Group must understand its energy consumption and consider various reduction initiatives.

At the Group's offices, energy is mainly used for air conditioning, lighting and electronics. The Group has clear instructions and reminders for employees to turn off all unnecessary electric devices, including air conditioners, lights and electronics, such as computers, printers and others. Air conditioners are set at a reasonable and constant temperature to reduce its cooling load.

The Group also upgraded its lighting system in its production facilities to energy-efficient LED lights. It is estimated that the transition would lower energy consumption of the lighting system by 20%.

Through employee engagement, collaboration and education, and hardware upgrade, the Group shall continue to seek energy reduction opportunities and maximisation methodologies in its operations. When appropriate, the Group may also consider collaborating with it suppliers on energy usage and reduction.

The Group has recorded the following energy use during the Reporting Period.

Energy Use	Unit	Consumption	Percentage
Electricity	kWh	135,412.27	60%
Vehicle Fuel (Petrol)	Litres	9,311.68	40%
Total Energy Use	kWh	224,804.38	100%
Total Energy Use	MJ	800,170.31	100%
Intensity of Energy Consumption:			
By number of employees	MJ/FTE	7,144.38	–

Use of Resources and Material

In general, resources and materials are finite, and material usage maximisation is important to sustain the current operations of the Group. The Group's operations utilize water, paper and other material that, without proper channels, eventually turns into waste.

One of the Group's major resource consumptions arises from the use of packaging and raw materials. In the Group's production facilities, raw materials are ordered in appropriate quantity, and processed in the most resource efficient manner to avoid wastage and minimise consumption. The Group also ensures that all packaging materials are designed, purchased and used according to the product size and nature. No over-packaging is used in the Group's products.

Water Consumption and Emissions

Although the use of water is not significant in the Group's operations, the Group is committed to minimising its water consumption to the best of its capabilities to conserve the common water resources. The main uses of water in the Group's operations are for staff personal use at the offices.

In fact, the use of water in the Group's operation is negligible and immaterial when compared to its energy consumption. However, the Group is committed to encouraging the reasonable use of water within its operations. Water conservation signs are put up to remind employees to use the resource wisely. Regular hardware maintenance is performed to prevent water leakage and wastage. The Group also checks and monitors its water consumption constantly to inspect for unusual water consumption patterns.

In our production bases, the Group has installed water treatment facilities to treat and process the domestic waste before transferring the sewage to government sewage treatment plant. The on-site water treatment facilities are maintained regularly to ensure proper functioning and satisfactory treated water quality.

Waste Management

Effective waste management can minimise the amount of waste for landfilling. To achieve this, it is important to reduce waste generation at source, and divert waste to recycling.

During the Reporting Period, the Group generates no hazardous waste, and only produces an insignificant amount of non-hazardous waste. In Hong Kong and PRC operations, non-hazardous waste is collected by a third-party service provider, which leads to difficulty in obtaining the waste production record. However, the Group will continue to refine and expand the scope of its data collection in the future.

Green Office

As most of the Group's operations in Hong Kong are office-based, paper, stationery and other office consumables attribute to a large quantity of the waste profile, along with other domestic waste.

To lower paper consumption, employees are encouraged to use emails to circulate information and to only print out important documents when necessary. Documents are always printed on both sides, while envelopes and files are reused internally. Used paper collection boxes are placed in the office to facilitate the recycling of the resource.

Reusable stationery is adopted at the office. The Group also engaged supplier to recycle the used ink cartridges at the office for responsible treatment.

Green Production

The Group's production operations in PRC is also committed to the reduction of waste. Reusable resources are stored separately from other domestic waste for individual handling.

Scrap fabrics and cottons from production are stored in a designated area separately from other wastes. A recycling service provider is engaged to collect the scrap resources regularly, and recycle them for other purposes in the future.

ESG KEY PERFORMANCE INDICATORS

The Group is proud to present its first set of publicly disclosed ESG key performance indicators ("KPIs"), and the Group is committed to publicly disclosing its ESG-related KPIs annually hereafter.

KPIs	Unit	FY 2017/2018 HK	FY 2017/2018 PRC	FY 2017/2018 Total
Environmental				
GHG Emissions				
Scope I Emissions	Tonnes CO_2-e	16.52	8.25	24.77
Scope II Emissions	Tonnes CO_2-e	20.60	85.13	105.73
Total GHG Emissions	Tonnes CO_2-e	37.12	93.38	130.50
GHG Emissions Intensity				
By number of employees	Tonnes CO_2-e/FTE	0.55	2.08	1.17
Energy Consumption				
Electricity	kWh	40,393.27	95,019.00	135,412.27
Vehicle Fuel (Petrol)	Litres	6,211.68	3,100.00	9,311.68
Total Energy Use	kWh	100,025.38	124,779.00	224,804.38
Total Energy Use	MJ	354,003.91	446,166.40	800,170.31
Energy Consumption Intensity				
By number of employees	kWh/FTE	1,492.92	2,772.87	2,007.18
By number of employees	MJ/FTE	5,283.64	9,914.81	7,144.38
Water Consumption				
Water[1 2]	m^3	7.01	480.00	487.01
Water Consumption Intensity				
By number of employees[3]	m^3/FTE	0.10	10.67	4.35
Social				
Total Workforce	Person	67	45	112
• Male	Person	28	19	47
• Female	Person	39	26	65

1 Water consumption is only accounted for offices whereby the property management does not cover water.

2 When water consumption data is not available due to quarterly billing, daily average consumption amount from the latest bill is utilised to estimate the consumption of the remaining days of the Reporting Period.

3 Water consumption intensity by number of employees only account for employees in offices where water consumption is accounted for.

INDEPENDENT AUDITOR'S REPORT

To the members of
Huiyin Holdings Group Limited
(Formerly known as "Share Economy Group Limited")
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Huiyin Holdings Group Limited (formerly known as "Share Economy Group Limited") (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 113, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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, except for the effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Opening balances and corresponding figures

The auditor's report on the consolidated financial statements of the Group for the year ended 30 June 2017 ("2017 Financial Statements") contained qualification on the possible effect of the limitations on the scope of the audit in relation to the acquisition of (i) the entire equity interests in ECrent (Hong Kong) Limited; and (ii) 0.45% of equity interests in YSK 1860 Investment Company Limited ("Qualification"), details of which has been set out in the auditor's report dated 27 September 2017.

As the 2017 Financial Statements formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the Qualification would have a significant effect on (i) the opening balances on the consolidated financial position of the Group as at 30 June 2018; (ii) corresponding figures in the consolidated financial statements for the year ended 30 June 2018; and (iii) the related disclosures thereof in the consolidated financial statements of the Group for the year ended 30 June 2018.

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 qualified 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 for the year ended 30 June 2018. 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 matter	How the matter was addressed in our audit
Valuation of investment properties	
The Group's investment properties were measured at fair value of approximately HK$30.1 million as at 30 June 2018. The fair value was determined by the management with reference to the valuations performed by an independent valuer (the "Valuer") engaged by the Group. The valuations of investment properties involved significant judgements and estimates, which mainly include the determination of valuation techniques and the selection of different inputs in the models. Considering the above mentioned significance of judgement and estimates of the valuations, we considered the valuation of investment properties as a key audit matters.	Our major audit procedures in relation to the valuation of investment properties included the following: • We assessed the competence, capabilities and objectivity of the Valuer. • We communicated with the management about the valuation techniques adopted by the Valuer, and assessed the relevance and reasonableness of valuation techniques used by the Valuer. • We evaluated the appropriateness of judgements and assumptions made by the Valuer, in particular the comparable properties and adjustment rate.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill and intangible assets	
As at 30 June 2018, the Group had goodwill and intangible assets of approximately HK$3.7 million and approximately HK$9.7 million which were allocated to the cash generating unit ("CGU"). The Group had engaged an independent valuer ("Valuer") to assist the management in determining the recoverable amount of the CGU. We have identified the impairment assessment goodwill and intangible assets as a key audit matter because significant management judgements were required to develop key assumptions.	Our major audit procedures in relation to the management's impairment assessment of goodwill and intangible asset included the following: • We discussed with the management as to whether there was any indicator of impairment. • We obtained cash flow forecasts relating to the CGU prepared by the management and approved by the directors of the Group. • We discussed with the management and the Valuer engaged by the Group in relation to the methodology, basis and assumptions used in deriving the forecasts (e.g. estimated sales growth rate and discount rate etc.) to assess whether the methodology and assumptions adopted were reasonable. • We checked, on a sample basis, the accuracy and reliance of the input data used. • We evaluated the competency of the Valuer taking into account its experience and qualifications.
Impairment assessment of trade receivables	
As at 30 June 2018, the Group had trade receivables (before impairment) of approximately HK$59 million. We have identified the impairment assessment of trade receivables as a key audit matter because the amounts involved were significant and significant management judgment was required to estimate the amount of impairment of trade receivables, including the credit history of customers, subsequent settlements and aging analysis of trade receivables.	Our audit procedures in relation to the impairment of trade receivables included the following: • We tested the accuracy of the aging of receivables balances on a sample basis. • We compared the aging of trade receivables with the agreed credit periods and invoice dates of the customers, on a sample basis. • We traced the subsequent settlements to the bank slips, on a sample basis. • We assessed the level of cash collected by the Group after the year end to consider any impairment indicator.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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 of the Company 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 of the Company 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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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 of the Company.

- 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 current period 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 Mr. Yip Kai Yin with practising certificate number P05131.

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong, 27 September 2018

10/F., 8 Observatory Road,
Tsimshatsui, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6(a)	**46,824**	53,524
Cost of sales		**(35,772)**	(36,900)
Gross profit		**11,052**	16,624
Other income	6(b)	**6,877**	4,391
Selling and distribution costs		**(3,842)**	(3,862)
Administrative expenses		**(50,850)**	(57,090)
Other operating expenses		**(131,269)**	(32,347)
Loss from operations	7	**(168,032)**	(72,284)
Finance costs	8	**(278)**	(604)
Loss before income tax		**(168,310)**	(72,888)
Income tax credit	9	**708**	1,925
Loss for the year		**(167,602)**	(70,963)
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**6,670**	(4,770)
Total comprehensive expense for the year		**(160,932)**	(75,733)
Loss for the year attributable to:			
Owners of the Company		**(167,059)**	(70,505)
Non-controlling interests		**(543)**	(458)
		(167,602)	(70,963)
Total comprehensive expense attributable to:			
Owners of the Company		**(160,392)**	(75,262)
Non-controlling interests		**(540)**	(471)
		(160,932)	(75,733)
Loss per share attributable to owners of the Company			
Basic and diluted	11	**HK(2.85) cents**	HK(1.44) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	13	**3,608**	2,578
Investment properties	14	**30,059**	30,287
Intangible assets	15	**9,697**	14,021
Goodwill	16	**3,703**	3,703
Other receivables	21	**24,852**	30,550
Other assets	17	**–**	110,039
		71,919	191,178
Current assets			
Inventories	19	**9,200**	19,153
Trade receivables	20	**47,009**	37,446
Loan receivable	21	**10,000**	–
Deposits, prepayments and other receivables	22	**78,278**	82,466
Cash and bank balances	23	**31,178**	18,069
		175,665	157,134
Current liabilities			
Trade payables	24	**9,039**	13,181
Trade deposits received		**8,524**	8,366
Accrued liabilities and other payables	25	**23,515**	5,700
Amounts due to directors		**452**	4,728
Borrowings	26	**–**	16,000
Tax payables		**188**	70
		41,718	48,045
Net current assets		**133,947**	109,089
Total assets less current liabilities		**205,866**	300,267
Non-current liabilities			
Deferred tax liabilities	27	**1,594**	2,302
Net assets		**204,272**	297,965
Capital and reserves			
Share capital	28	**148,828**	124,107
Reserves	30	**55,204**	173,078
		204,032	297,185
Non-controlling interests		**240**	780
Total equity		**204,272**	297,965

The consolidated financial statements on pages 51 to 113 were approved and authorised for the issue by the Board of Directors on 27 September 2018 and are signed on its behalf by:

Chan Christina
Director

Shi Yanxin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Attributable to equity shareholders										
	Share capital	**Share premium**	**Statutory reserves**	**Capital redemption reserves**	**Share options reserves**	**Capital reserves**	**Translation reserves**	**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$'000	HK$'000	HK$'000
At 1 July 2016	111,407	399,845	8,789	29	13,624	28,764	11,155	(304,105)	269,508	1,251	270,759
Loss for the year	–	–	–	–	–	–	–	(70,505)	(70,505)	(458)	(70,963)
Other comprehensive loss for the year	–	–	–	–	–	–	(4,757)	–	(4,757)	(13)	(4,770)
Total comprehensive loss for the year	–	–	–	–	–	–	(4,757)	(70,505)	(75,262)	(471)	(75,733)
Issue of subscription shares	12,200	87,839	–	–	–	–	–	–	100,039	–	100,039
Exercise of share option	500	3,440	–	–	(1,040)	–	–	–	2,900	–	2,900
At 30 June 2017 and at 1 July 2017	**124,107**	**491,124**	**8,789**	**29**	**12,584**	**28,764**	**6,398**	**(374,610)**	**297,185**	**780**	**297,965**
Loss for the year	–	–	–	–	–	–	–	(167,059)	(167,059)	(543)	(167,602)
Other comprehensive loss for the year	–	–	–	–	–	–	6,667	–	6,667	3	6,670
Total comprehensive loss for the year	–	–	–	–	–	–	6,667	(167,059)	(160,392)	(540)	(160,932)
Placing of shares	24,721	42,518	–	–	–	–	–	–	67,239	–	67,239
At 30 June 2018	**148,828**	**533,642**	**8,789**	**29**	**12,584**	**28,764**	**13,065**	**(541,669)**	**204,032**	**240**	**204,272**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Loss before income tax	**(168,310)**	(72,888)
Adjustments for:		
Depreciation of property, plant and equipment	**645**	437
Interest income	**(5,287)**	(50)
Amortisation of intangible assets	**4,240**	5,347
Loss/(Gain) on disposal of property, plant and equipment, net	**83**	(1)
Impairment loss of other assets	**110,039**	–
Impairment loss of goodwill	**–**	4,838
Impairment loss of deposits, prepayments and other receivables	**4,773**	3,163
Impairment loss of intangible assets	**85**	6,357
Impairment loss of trade receivables	**1,120**	1,925
Finance costs	**278**	604
Provision for obsolete and slow moving inventories	**9,247**	304
Reversal of provision for obsolete and slow moving inventories	**(445)**	(163)
Fair value loss of investment properties	**1,082**	7,991
Operating loss before working capital changes	**(42,450)**	(42,136)
Decrease in inventories	**1,433**	4,569
(Increase)/Decrease in trade receivables	**(10,727)**	2,215
Increase in loan receivables	**(10,000)**	–
Decrease/(Increase) in deposits, prepayments and other receivables	**13,254**	(43,295)
Decrease in trade deposit paid	**–**	50,963
(Decrease)/Increase in trade payables	**(4,403)**	985
Increase in accrued liabilities and other payables	**17,594**	1,454
(Decrease)/Increase in amounts due to directors	**(4,276)**	4,728
Decrease in deposits received	**(74)**	–
Net cash used in operating activities	**(39,649)**	(20,517)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	2018	2017
	HK$'000	HK$'000
Cash flows from investing activities		
Interest received	**163**	50
Purchase of property, plant and equipment	**(1,801)**	(565)
Proceeds from disposal of property, plant and equipment	**237**	–
Payment for acquisition of other assets	**–**	(10,000)
Net cash used in investing activities	**(1,401)**	(10,515)
Cash flows from financing activities		
Interest paid	**(278)**	(604)
Net proceed from placing of shares	**67,239**	–
Exercise of share option	**–**	2,900
Repayment of borrowings	**(16,000)**	(5,814)
Proceed from borrowings	**–**	16,000
Net cash generated from financing activities	**50,961**	12,482
Net increase/(decrease) in cash and cash equivalents	**9,911**	(18,550)
Cash and cash equivalents at 1 July	**18,069**	39,680
Effect of foreign exchange rate changes, net	**3,198**	(3,061)
Cash and cash equivalents at 30 June	**31,178**	18,069
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**31,178**	18,069

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 February 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company withdrew the listing of its shares on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 February 2003, and on the same date, by way of introduction, listed its entire issued share capital on the Main Board of the Stock Exchange.

The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 26/F., Great Smart Tower, No. 230 Wan Chai Road, Wan Chai, Hong Kong.

Pursuant to an Annual General Meeting held on 11 December 2017, the Certificate of Incorporation on Change of Name of the Company issued by the Registry of Companies in the Cayman Islands on 11 December 2017 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 3 January 2018, the Company changed its name to Huiyin Holdings Group Limited (formerly known as Share Economy Group Limited) and adopted the Chinese name of "匯銀控股集團有限公司" as the secondary name to replace "共享經濟集團有限公司" which has been used for identification purpose only.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing and trading of BIOenergy products, healthcare food products, edible bird's nest, electronic and scandium oxide products and honey products and properties investments in the People's Republic of China (the "PRC").

The consolidated financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

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

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Amendments to HKAS 7 Disclosure Initiative

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The application of the amendments has not had any material effect on the consolidated financial statements.

Except for the above impact, application of the 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)*

2.2 New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014–2016 Cycle except Amendments to HKFRS 12[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted
3 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted
4 Effective for annual periods beginning on or after a date to be determined

The Group anticipates that the application of the above new or amended standards have no material impact on the results and the financial position of the Group.

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

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

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

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

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

HKFRS 15 Revenue from Contracts with Customers and the clarifications to HKFRS 15

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

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

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

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

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

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

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, 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 re-measurement 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. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

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

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

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

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

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

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

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasises that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of HKAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

HK (IFRIC) 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which is collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The measurement base adopted is the historical cost convention except for the revaluation of certain assets and liabilities.

Basis of consolidation

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

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

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

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

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

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

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

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

Business combination

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.

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are 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 an 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 pro rata 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.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, provided that the Group maintains neither managerial involvement to the degree usually associated with the ownership, nor effective control over the goods sold;

Operating lease rental income is recognised on a straight-line basis over the term of lease agreement. Contingent rental income (representing income over and above base rent) such as turnover rent, is recognised according to terms of the lease agreements when the amount can be reliably measured, in the accounting period in which it is earned. Lease incentives provided, such as rent-free periods, are amortised on a straight-line basis are recognised as a reduction of rental income over the respective term of lease; and

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates:

Leasehold improvement	5 years or over the lease terms, whichever is shorter
Machinery and equipment	8 to 12 years
Furniture and office equipment	3 to 8 years
Motor vehicle	8 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Investment properties

A property that is held for long-term rental yields or for capital appreciation or both, is classified as an investment property.

An investment property is measured initially at its cost, including related transaction costs.

After initial recognition, an investment property is carried at fair value, representing open market value determined at each reporting date. The carrying value of the investment property is reviewed every six months and is independently valued by external valuers at least annually.

Changes in fair values of the investment properties are recognised in the consolidated statement of profit or loss and other comprehensive income.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method and, in the case of work in progress and finished goods, comprise direct materials, where applicable, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

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

Intangible assets and research and development costs

Intangible assets

Intangible assets acquired in a business combination separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment as described below. Amortisation commences when the intangible assets are available for use. Patents and technical know-how are recognised as intangible assets and amortised on a straight line basis over their useful lives.

Research and development costs

Costs associated with research activities are expensed in the profit or loss as they occur.

Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets. Development costs recognised as intangible assets are amortised on a straight-line basis over their useful lives. All other development costs are expensed as incurred.

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

Impairment of assets

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).

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

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-generating unit) is increased to the revised estimated 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.

Employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Retirement Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Retirement Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Retirement Scheme. The assets of the Retirement Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Retirement Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Retirement Scheme.

Pursuant to the relevant regulations of the government of the PRC, subsidiaries of the Group operating in the PRC are required to participate in an employee pension scheme operated by the relevant local government authorities in the PRC and to make contributions for employees who are registered as permanent residents in the PRC. Such contributions are charged to profit or loss as they become payable.

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

Foreign currency

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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 that period, in which case the exchange rates at the dates of the transactions are used.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in profit or loss.

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

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on 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 debt instrument 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount of initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

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

Impairment of financial assets

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

For certain categories of financial asset, such as trade receivables, loan receivable, trade deposits paid, deposit and other 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 past the average credit period, as well as 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets' 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 (see the accounting policy below).

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets except for 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.

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

Other financial liabilities

Other financial liabilities (including trade payables, trade deposits received, accrued liabilities and other payables and borrowings) 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations 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.

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss 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 tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 tax 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 difference associated with investments in subsidiaries and associates, and interests in joint ventures, 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 each 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 reporting 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. 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 tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

Related parties

For the purposes of these consolidated financial statements, related parties include a person and an entity as defined below:

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

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

(b) has significant influence over the Group; or

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

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

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

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

(c) both entities are joint ventures of the same third entity;

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

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

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

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

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

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

Share-based payment transaction

The Company issues equity-settled share-based payments to eligible employees including directors of the Company and its subsidiaries, and other persons including consultants, advisors, agents, customers, suppliers etc. to subscribe for shares in the Company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effort of non market-based vesting conditions.

For share options that are vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the 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.

Leasing

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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

Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

Borrowing costs

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that any entity incurs in connection with the borrowing of funds.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the consolidated financial statements. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Income taxes

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

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that is probable that some portion or all of the deferred tax assets will ultimately be realised, such as existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the consolidated statement of profit or loss and other comprehensive income.

(iii) Depreciation and amortisation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(iv) Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

(v) Fair value measurement of investment properties

The Group's investment properties are measured at fair value. In estimating the fair value of investment property, the Group engaged third party qualified valuer to perform the valuation. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 14 provide detailed information about the valuation technique, input and key assumptions used in the determination of fair value of investment properties.

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

(a) Segment revenue, results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment assets and liabilities principally comprise all tangible assets, intangible assets, current assets and current liabilities directly attributable to each segment.

The chief operating decision maker have re-organised the business activities of the Group into seven reportable segments are listed as follows:

(i) BIOenergy products: manufacturing and trading of bedding products, underclothing and body protection accessories containing the BIOenergy compound and multi-functional water generators;

5. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue, results, assets and liabilities *(Continued)*

(ii) Healthcare food products: trading of healthcare food products;

(iii) Edible bird's nest products: trading of edible bird's nest products;

(iv) Electronic and Scandium Oxide products: trading of electronic and scandium oxide products;

(v) Honey products: trading of honey products;

(vi) Property investment: rental income; and

(vii) Others: provision of loan financing in Hong Kong and others.

Business segments

The following tables present revenue, results and certain assets, liabilities and other segment information for the Group's business segments:

	BIOenergy products		Healthcare food products		Edible bird's nest products		Electronic and scandium oxide products		Honey products		Property investment		Others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue:																
Sales to external customers	**13,462**	29,404	**5,470**	5,439	**2,606**	–	**21,503**	–	**2,965**	18,538	**144**	137	**674**	6	**46,824**	53,524
Segment result	**(402)**	6,317	**(1,375)**	(3,911)	**1,228**	–	**694**	–	**(8,754)**	2,741	**(1,082)**	(8,403)	**574**	(10,603)	**(9,117)**	(13,859)
Unallocated other income															**6,877**	4,391
Unallocated expenses															**(165,792)**	(62,816)
Loss from operations															**(168,032)**	(72,284)
Finance costs															**(278)**	(604)
Loss before income tax															**(168,310)**	(72,888)
Income tax credit															**708**	1,925
Loss for the year															**(167,602)**	(70,963)

5. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue, results, assets and liabilities *(Continued)*

Business segments (Continued)

	BIOenergy products		Healthcare food products		Edible bird's nest products		Electronic and scandium oxide products		Honey products		Property investment		Others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**24,074**	46,661	**2,393**	28,492	**48,591**	–	**15,523**	–	**37,443**	46,697	**69,107**	89,313	**10,884**	215	**208,015**	211,378
Unallocated assets															**39,569**	136,934
Total assets															**247,584**	348,312
Segment liabilities	**14,820**	6,660	**493**	746	**93**	–	**–**	7	**5,827**	4,975	**132**	128	**–**	–	**21,365**	12,516
Unallocated liabilities															**21,947**	37,831
Total liabilities															**43,312**	50,347
Other segment information																
Depreciation	**290**	307	**21**	25	**–**	–	**84**	–	**72**	23	**–**	–	**2**	3	**469**	358
Unallocated amount of depreciation															**176**	79
															645	437
Amortisation of intangible assets	**36**	34	**4,189**	4,190	**–**	–	**–**	–	**–**	–	**–**	–	**15**	1,123	**4,240**	5,347
Provision for obsolete and slow moving inventories	**–**	65	**22**	–	**–**	–	**–**	–	**9,225**	–	**–**	–	**–**	239	**9,247**	304
Capital expenditure*	**25**	306	**–**	–	**–**	–	**729**	–	**144**	246	**–**	–	**–**	–	**898**	552
Unallocated amounts of capital expenditure															**903**	13
															1,801	565

* Capital expenditure consists of additions to property, plant and equipment.

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The Group's revenue from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**30,612**	23,983	**15,185**	18,202
PRC	**16,212**	29,541	**31,882**	32,387
	46,824	53,524	**47,067**	50,589

(c) Information about major customers

Revenue from customers contributing over 10% of the total sales from trading of products are as follows:

	2018	2017
	HK$'000	HK$'000
Customer A (Electronic and Scandium Oxide products)	**19,571**	–
Customer B (Healthcare food products)	**5,470**	5,439
Customer C (Honey products)	**N/A***	18,538
Customer D (BIOenergy products)	**N/A***	16,259
Customer E (BIOenergy products)	**N/A***	7,411

* Revenue from Customer C, D and E did not contribute over 10% of the current year.

6. REVENUE AND OTHER INCOME

(a) Revenue

	2018 **HK$'000**	2017 HK$'000
Sales of goods	**46,680**	53,387
Rental income	**144**	137
	46,824	53,524

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable; the rental income represents the properties leasing income. All significant intra-group transactions have been eliminated on consolidation.

(b) Other Income

	2018 **HK$'000**	2017 HK$'000
Interest income	**5,287**	50
Gain on disposal of property, plant and equipment	**1**	22
Exchange gain	**–**	440
Reversal of provision of obsolete and slow moving inventories	**445**	163
Sales of component materials	**1,042**	3,054
Others	**102**	662
	6,877	4,391

7. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2018 HK$'000	2017 HK$'000
Auditor's remuneration		
Audit services	**920**	780
Non-audit services	**210**	100
Cost of inventories sold	**35,772**	36,900
Staff costs (including directors' remuneration)		
Wages and salaries	**22,990**	19,661
Pension scheme contributions	**1,217**	530
	24,207	20,191
Depreciation of property, plant and equipment	**645**	437
Amortisation of intangible assets*	**4,240**	5,347
Operating lease charges in respect of land and buildings#	**5,806**	5,189
Impairment loss recognised in respect of other receivables*	**4,773**	3,163
Impairment loss recognised in respect of trade receivables*	**1,120**	1,925
Impairment loss recognised in respect of intangible assets*	**85**	6,357
Impairment loss recognised in respect of goodwill*	**–**	4,838
Loss on written off in respect of other assets*	**110,039**	–
Fair value loss on investment properties*	**1,082**	7,991
Loss on disposal of property, plant and equipment*	**84**	21
Provision for obsolete and slow moving inventories*	**9,247**	304
Cost of sales of component materials*	**552**	2,107
Exchange loss#	**469**	–

* included in other operating expenses

\# included in administrative expenses

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on borrowings	**278**	604

9. INCOME TAX CREDIT

No provision of Hong Kong Profits Tax has been provided as no assessable profits arising in Hong Kong during the year (2017: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2017: 25%).

	2018	2017
	HK$'000	HK$'000
Current year provision	**–**	–
Deference tax credit	**(708)**	(1,925)
	(708)	(1,925)

Reconciliation between income tax credit and accounting loss at applicable tax rate:

	2018	2017
	HK$'000	HK$'000
Loss before income tax	**(168,310)**	(72,888)
Tax at the applicable tax rate (Note)	**(28,054)**	(12,859)
Tax effect of non-deductible expenses	**22,290**	10,838
Tax effect of non-taxable income	**(1,700)**	(257)
Tax effect of tax losses not recognised	**6,756**	353
Income tax credit	**(708)**	(1,925)

The Group had not recognised deferred tax assets in respect of the tax losses due to unpredictability of the future profit streams.

Note: The applicable rates are the rates prevailing in the jurisdictions in which the Company and its subsidiaries operate.

10. DIVIDENDS

No final dividend has been paid or declared by the Company during the year presented in these consolidated financial statements (2017: Nil).

11. LOSS PER SHARE

The calculation of basic loss per share is based on loss attributable to owners of the Company for the year ended 30 June 2018 of approximately HK$167.06 million (2017: loss of approximately HK$70.51 million) and the weighted average number of 5,863,731,000 (2017: the weighted average number of 4,894,400,000) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the year ended 30 June 2018 in arriving at diluted loss per share in respect of potential dilution impact of share option as these options had an antidilutive effect on the basic loss per share amount presented.

12. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(a) Directors' remuneration

The directors' remuneration disclosed pursuant to the Listing Rules and Section 383(1) of the Hong Kong Companies Ordinance is as follows:

	2018 **HK$'000**	2017 HK$'000
Fees	**1,465**	598
Other emoluments:		
Salaries, allowances and benefits in kind	**5,193**	7,808
Pension scheme contributions	**78**	23
	6,736	8,429

12. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

The emoluments of each director, on a named basis, for the year ended 30 June 2018 and 2017 are set out below:

Year ended 30 June 2018

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Xu Zhifeng	1	–	288	–	288
Zhou Guohua	2	–	620	8	628
Wong Kui Shing		–	1,265	21	1,286
Meng Xiaoqian	3	–	1,138	19	1,157
Chan Christina		–	1,177	19	1,196
Meng Zhaoyi	4	–	705	11	716
Zhou Jian	5	300	–	–	300
Su Rujia	6	35	–	–	35
Wang Edward Xu	7	35	–	–	35
Ng Kwok Kei Sammy	8	100	–	–	100
Chen Zhihua	9	256	–	–	256
Wong Chi Yan	10	149	–	–	149
Chan Wai Kit	11	119	–	–	119
Chan Shun Yee	12	58	–	–	58
Li Wenjun	13	332	–	–	332
Xiao Liang	14	81	–	–	81
		1,465	5,193	78	6,736

12. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

Year ended 30 June 2017

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Xu Zhifeng		–	2,000	–	2,000
Chan Shun Yee	12	–	506	7	513
Liu Min	15	–	850	–	850
Zhou Guohua	2	–	2,974	8	2,982
Yip Tak Yin	16	–	418	8	426
Wang Jingan	17	–	767	–	767
Tan Jiefu	18	–	–	–	–
Wong Kui Shing	19	–	177	–	177
Meng Xiaoqian	3	–	58	–	58
Chan Christina	20	–	58	–	58
Chau Yu-Lung Jimmy	21	60	–	–	60
Zhou Jian	5	60	–	–	60
Su Rujia		144	–	–	144
Wong Tat Yan Paul	22	133	–	–	133
Zhu Yanzhou	23	54	–	–	54
Wang Edward Xu	7	79	–	–	79
Ng Kwok Kei Sammy	8	20	–	–	20
Chen Zhihua	9	48	–	–	48
		598	7,808	23	8,429

Notes:

1 Mr. Xu Zhifeng was resigned as an executive director on 27 September 2017.
2 Mr. Zhou Guohua was appointed as an executive director on 8 August 2016 and resigned on 1 December 2017.
3 Ms. Meng Xiaoqian was appointed as executive director on 2 June 2017 and resigned on 6 June 2018.
4 Mr. Meng Zhaoyi was appointed as an executive director on 13 December 2017 and resigned on 1 August 2018.
5 Mr. Zhou Jian was appointed as a non-executive director on 2 June 2017 and resigned on 1 December 2017.
6 Mr. Su Rujia was resigned as an independent non-executive director on 27 September 2017.
7 Mr. Wang Edward Xu was appointed as an independent non-executive director on 14 December 2016 and resigned on 27 September 2017.
8 Mr. Ng Kwok Kei Sammy was appointed as an independent non-executive director on 2 June 2017 and resigned on 1 December 2017.
9 Mr. Chen Zhihua appointed as an independent non-executive on 7 June 2017 and resigned on 19 July 2018.
10 Ms. Wong Chi Yan was appointed as an independent non-executive on 23 October 2017.
11 Mr. Chan Wai Kit was appointed as an independent non-executive director on 13 December 2017.
12 Mr. Chan Shun Yee was resigned as an executive director on 4 November 2016, appointed as a non-executive director on 4 November 2016 and resigned on 27 September 2017.
13 Ms. Li Wenjun was appointed as a non-executive director on 16 January 2018 and resigned on 12 July 2018.
14 Mr. Xiao Liang was appointed as a non-executive director on 21 May 2018.
15 Mr. Liu Min was resigned as an executive director on 1 March 2017.
16 Mr. Yip Tak Yin was appointed as an executive director on 4 November 2016 and resigned on 10 April 2017.
17 Mr. Wan Jingan was appointed as an executive director on 1 December 2016 and resigned on 20 April 2017.
18 Mr. Tan Jiefu was appointed as an executive director on 1 March 2017 and resigned on 2 June 2017.
19 Mr. Wong Kui Shing was appointed as an executive director on 8 May 2017.
20 Ms. Chan Christina was appointed as an executive director on 7 June 2017.
21 Mr. Chau Yu-Lung Jimmy was resigned as a non-executive director on 1 December 2016.
22 Mr. Wong Tat Yan Paul was resigned as an independent non-executive director on 2 June 2017.
23 Mr. Zhu Yanzhou was resigned as an independent non-executive director on 14 December 2016.

12. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

During the year ended 30 June 2018, no director agreed to waive his remuneration.

During the year ended 30 June 2017, Mr. Tan Jiefu agreed to waive his remuneration of HK$300,000.

During the year, no director (2017: Nil) has been granted any share option in respect of their services to the Group. Further details of the share option scheme were set out in note 29 to the consolidated financial statements.

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(b) Five highest paid individuals

The five highest paid individuals of the Group during the year included four directors (2017: three), details of whose emoluments have been disclosed in note (a) above. The emoluments paid to the remaining one (2017: two) non-directors, highest paid individuals for the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and benefits in kind	**1,135**	2,345
Pension scheme contributions	**19**	46
	1,154	2,391

The number of the remaining highest paid individuals whose emoluments fell within the following band is as follows:

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

During the years ended 30 June 2018 and 2017, no emoluments were paid by the Group to the directors or any of the five highest paid employees of the Group as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Machinery and equipment HK$'000	Furniture & office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 July 2016	16,289	912	9,473	3,027	29,701
Addition	–	–	277	288	565
Disposal and written off	(14,411)	–	(3)	(516)	(14,930)
Exchange realignment	(283)	(9)	(81)	(28)	(401)
At 30 June 2017 and at 1 July 2017	1,595	903	9,666	2,771	14,935
Addition	–	7	265	1,529	1,801
Disposal and written off	(217)	(150)	(160)	(361)	(888)
Exchange realignment	45	29	304	66	444
At 30 June 2018	1,423	789	10,075	4,005	16,292
Accumulated depreciation:					
At 1 July 2016	16,245	404	7,847	2,740	27,236
Provided for the year	15	169	237	16	437
Written back for disposal and written off	(14,411)	–	(2)	(516)	(14,929)
Exchange realignment	(282)	(2)	(73)	(30)	(387)
At 30 June 2017 and at 1 July 2017	1,567	571	8,009	2,210	12,357
Provided for the year	16	174	205	250	645
Written back for disposal and written off	(217)	(135)	(2)	(214)	(568)
Exchange realignment	45	17	70	118	250
At 30 June 2018	1,411	627	8,282	2,364	12,684
Net carrying value:					
At 30 June 2018	**12**	**162**	**1,793**	**1,641**	**3,608**
At 30 June 2017	28	332	1,657	561	2,578

14. INVESTMENT PROPERTIES

	2018 **HK$'000**	2017 HK$'000
At fair value:		
Balance at beginning of the year	**30,287**	38,721
Change in fair value recognised in profit or loss	**(1,082)**	(7,991)
Exchange realignment	**854**	(443)
Balance at end of the year	**30,059**	30,287

All of the Group's investment properties held to earn rental are classified and accounted for as investment properties.

All investment properties are located in PRC with medium lease term.

The fair value of the Group's investment properties as at 30 June 2018 has been arrived at on the basis of a valuation carried out by LCH (Asia Pacific) Surveyors Limited, an independent qualified professional valuer not connected to the Group.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The entire amount of fair value measurement of the Group's investment properties is categorised as level 3 hierarchy defined in HKFRS 13.

Information about level 3 fair value measurements

	Valuation Technique(s)	**Unobservable input(s)**	**Range**
Investment properties	Direct comparison	Discount on characteristic of the properties	–37.2% to –1.9%

The fair value of investment properties is determined using direct comparison approach to value these properties in their respective existing states and uses on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and others factors collectively. Higher premium for properties with better characteristic will result in a higher fair value measurement.

15. INTANGIBLE ASSETS

	Patents and technical know-how HK$'000	Trade name HK$'000	Total HK$'000
At cost:			
At 1 July 2016	6,617	28,807	35,424
Exchange realignment	(64)	–	(64)
At 30 June 2017 and at 1 July 2017	6,553	28,807	35,360
Exchange realignment	181	–	181
At 30 June 2018	6,734	28,807	35,541
Accumulated amortisation:			
At 1 July 2016	6,509	3,190	9,699
Charge for the year	34	5,313	5,347
Impairment loss	–	6,357	6,357
Exchange realignment	(64)	–	(64)
At 30 June 2017 and at 1July 2017	6,479	14,860	21,339
Charge for the year	36	4,204	4,240
Impairment loss	–	85	85
Exchange realignment	180	–	180
At 30 June 2018	6,695	19,149	25,844
Net carrying amount:			
At 30 June 2018	**39**	**9,658**	**9,697**
At 30 June 2017	74	13,947	14,021

Trade name belonged to two individual cash generating units ("CGUs"). The directors of the Company conducted an impairment review of the Group's CGUs as at 30 June 2018. The recoverable amounts of the CGUs have been determined taking into account the valuation performed by an independent professional valuer, based on a value in use calculation which derived from the financial budgets approved by management covering a period of 5 years. Detail of the impairment assessment are set out in Note 16.

As the result of the impairment review, an impairment loss of approximately HK$85,000 (2017: HK$6,357,000) has been recognised.

16. GOODWILL

	HK$'000
Cost:	
At 1 July 2016, at 30 June 2017, at 1 July 2017 and at 30 June 2018	8,602
Accumulated impairment:	
At 1 July 2016	61
Impairment loss	4,838
At 30 June 2017, at 1 July 2017 and at 30 June 2018	4,899
Net carrying value:	
At 30 June 2018	3,703
At 30 June 2017	3,703

For the purpose of impairment testing, goodwill has been allocated into the following CGUs:

	2018 **HK$'000**	2017 HK$'000
Me In Holdings Limited ("Me In")	**–**	–
Fine Treasure Asia Limited ("Fine Treasure")	**3,703**	3,703
	3,703	3,703

Me In

Goodwill which arose from the acquisition of a subsidiary, Me In, amounting to approximately HK$2,886,000, was fully provided for impairment loss in the consolidated financial statements for the year ended 30 June 2017.

Fine Treasure

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five year period approved by management.

The discount rate applied to cash flow projections is 22% per annum and the growth rate used to extrapolate the cash flows of the group of cash generating units beyond the five year period is 2% per annum with reference to the valuation performed by an independent professional valuer.

As the recoverable amount of the CGU was higher than the carrying amount, no impairment loss (2017: HK$1,952,000) has been recognised in the consolidated financial statements for the year ended 30 June 2018.

17. OTHER ASSETS

	2018 **HK$'000**	2017 HK$'000
Other assets	–	110,039

References were made to the announcements (the "Announcements") of the Company dated 25 April 2016, 3 May 2016, 31 May 2016, 20 July 2016, 30 July 2016, 12 August 2016, 27 September 2017, 26 February 2018, and 21 March 2018.

On 3 May 2016, Vitop Bioenergy Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with ECrent Holdings Limited (the "Vendor") pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell 100% of the equity interests in ECrent (Hong Kong) Limited and 0.45% of the equity interests in YSK1860 Investment Company Limited (collectively, the "Investment").

As set out in the Announcements, the Company has previously set up a special investigation committee for conducting a review on the investment process made by the former board members of the Company at the material times in relation to the acquisition of the Investment in 2016. The Company has also engaged Ascenda Cachet CPA Limited, an independent certified public accountant, to prepare an investigation report on this matter. After taking into account the findings of the independent investigation report, there are currently no concrete plans for the Group to recover the Investment. As such, the Investment is written off during the year ended 30 June 2018.

18. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2018 are as follows:

Name	Place of incorporation/ establishment and operations	Particulars of issued capital/ registered capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
Vitop Bioenergy Limited	British Virgin Islands	1 ordinary share of US$1	100%	–	Investment holding
Vitop Bioenergy (China) Limited* ("Vitop China")	the PRC	Registered capital of HK$95,000,000	–	100%	Manufacturing and trading of BIOenergy® products, and trading of multi-functional water generators, healthcare food products and other healthcare products
Hefei Tianmei Environmental Protection Technology Co., Ltd. (formerly known as "Hefei Vitop Meiling Technology Limited")**	the PRC	Registered capital of RMB5,840,000	–	80%	Manufacturing and trading of multi-functional water generators
Zhuhai Detox Bioenergy Technology Limited*	the PRC	Registered capital of RMB1,000,000	–	100%	Trading of healthcare product
Topgold Industrial Limited	Hong Kong	1 ordinary share of HK$1	100%	–	Investment holding
Zhuhai Wei Tuo Po Technology Limited*	the PRC	Registered capital of RMB5,000,000	–	100%	Manufacturing and trading of multi-functional water generators and ionisers
Guangzhou Zhan'ao Trade Commerce Company Limited*	the PRC	Registered capital of RMB1,000,000	–	100%	Properties investments
Tianniangaoying (Shenzhen) Commerce Co., Ltd*	the PRC	Registered capital of RMB10,000,000	–	100%	Trading of edible bird's nest product
Cosmic Global Holdings Limited	British Virgin Islands	1 ordinary share of US$1	100%	–	Investment Holding
Smart Key Holdings Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment Holding
Fine Treasure Asia Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment Holding
Red Health Products Company Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Trading of healthcare product

18. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and operations	Particulars of issued capital/ registered capital	Percentage of equity attributable to the Group Direct	Percentage of equity attributable to the Group Indirect	Principal activities
Me In Holdings Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment Holding
Me In Limited	Hong Kong	4,000,000 ordinary shares of HK$4,000,000	–	100%	Trading of healthcare product
Vitop Manuka Resources Limited	Hong Kong	1 ordinary share of HK$1	100%	–	Trading of honey product
Richora Group Limited	New Zealand	100 ordinary shares of NZD1 each	–	51%	Trading of honey
Hummingbird Trading Corporation Limited	Hong Kong	10,000 ordinary shares of HK$10,000	–	100%	Trading of electronic and scandium oxide product
Wise Harvest Capital Investment Limited	Hong Kong	10,000 ordinary shares of HK$10,000	–	100%	Provision of loan financing

* Registered as wholly-foreign owned enterprise ("WFOE") under the PRC law.

** Registered as Sino-foreign joint venture under the PRC law.

The above table lists the subsidiaries of the Company which have, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, results in particulars of excessive length.

19. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**5,270**	6,056
Work in progress	**5,081**	4,096
Finished goods	**63,612**	63,475
	73,963	73,627
Less: Provision for obsolete and slow-moving inventories	**(64,763)**	(54,474)
	9,200	19,153

20. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**58,581**	47,751
Less: Accumulated impairment loss	**(11,572)**	(10,305)
	47,009	37,446

An aging analysis of trade receivables based on the invoice date, is as follows:

	2018 HK$'000	2017 HK$'000
0–30 days	**11,691**	1,290
31–60 days	**5**	6
61–180 days	**34**	2,062
Over 180 days	**35,279**	34,088
	47,009	37,446

Included in the balances are trade receivables with an aggregate carrying amount of HK$35.31 million (2017: HK$34.09 million) which are past due at the reporting date for which the Group has not provided impairment loss as there has no significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances. No interest is charged on the trade receivables.

Aging of trade receivables which are past due but not impaired:

	2018 HK$'000	2017 HK$'000
0–30 days	**32**	–
31–180 days	**143**	–
Over 180 days	**35,138**	34,088
	35,313	34,088

20. TRADE RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts

	2018 HK$'000	2017 HK$'000
Balance at the beginning of the year	**10,305**	8,272
Impairment loss on trade receivables	**1,120**	1,925
Exchange realignment	**147**	108
Balance at the end of the year	**11,572**	10,305

21. LOAN RECEIVABLE

	2018 HK$'000	2017 HK$'000
Fixed-rate unsecured loan receivable denominated in functional currency of Hong Kong dollars	**10,000**	–
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the end of the reporting period)	**10,000**	–

The effective interest rates (which are equal to contractual interest rates) on the Group's loan receivable is 15% per annum (2017: Nil). Interest rate term is fixed at the time when entering into loan agreement. The period of the loan is 6 months.

In determining recoverability of the loan receivable, the Group considers any change in credit quality of the borrowers from the date credit was initially granted up to the end of the reporting period. Loan receivable with a carrying amount of approximately HK$10,000,000 (2017: HK$Nil) are neither past due nor impaired at the end of the reporting period for which the Group believes that there has no significant change in credit quality. Therefore, no provision is considered necessary.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Non-current		
Other receivables	**24,852**	30,550
Current		
Deposits for rental and utilities	**2,766**	1,550
Refundable investment deposits	**21,691**	20,000
Other receivables	**37,198**	58,305
Prepayments	**3,990**	–
Deposit for purchases of inventories	**24,295**	9,526
	89,940	89,381
Less: Accumulated impairment loss	**(11,662)**	(6,915)
	78,278	82,466

As at 30 June 2018, there were approximately HK$49,467,000 (2017: HK$80,550,000) outstanding included in deposits, prepayments and other receivables which were past due but not impaired (the "Receivables"). During the year, the Group entered into repayment agreements with debtors of the Receivables for the settlement of the outstanding balances. Pursuant to the repayment agreements and schedules, the Receivables would be carrying interest at 10% per annum, payable on semiannually basis and the latest matures in 4.5 years. The Receivables of approximately HK$24,852,000 (2017: HK$30,550,000) were classified as non-current assets according to the repayment terms.

23. CASH AND BANK BALANCES

	2018 **HK$'000**	2017 HK$'000
Cash and bank balances	**31,178**	18,069

As at the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$23.14 million (2017: approximately HK$11.73 million). RMB is not freely convertible into other currencies.

24. TRADE PAYABLES

The credit terms of trade payables varies according to the terms agreed with different suppliers. The aging analysis of the Group's trade payables as at the end of the reporting period, based on the due date, is as follows:

	2018 **HK$'000**	2017 HK$'000
0–30 days	**792**	426
31–60 days	**371**	264
61–180 days	**247**	5,503
Over 180 days	**7,629**	6,988
	9,039	13,181

25. ACCRUED LIABILITIES AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Deposit received for the disposal of a subsidiary (Note)	**15,000**	–
Accrued liabilities and other payables	**8,515**	5,700
	23,515	5,700

Note:

Detail of the deposit received for the disposal of a subsidiary is set out in note 36(d) to the consolidated financial statements.

26. BORROWINGS

	2018 **HK$'000**	2017 HK$'000
Borrowings, repayable within one year	**–**	16,000

At 30 June 2017, borrowings of HK$16 million were guaranteed by the Company. The effective interest rate for borrowings of HK$6 million is 10% per annum and repayable within one month; and the effective interest rate for borrowings of HK$10 million is 12% per annum and repayable within one year.

27. DEFERRED TAXATION

Deferred tax liabilities:

	Fair value of intangible assets HK$'000
At 1 July 2016	4,227
Deferred tax credit to the consolidated statement of profit or loss and other comprehensive income	(1,925)
At 30 June 2017 and at 1 July 2017	2,302
Deferred tax credit to the consolidated statement of profit or loss and other comprehensive income	(708)
At 30 June 2018	1,594

At the end of the reporting period, the Group has unrecognised deferred tax assets arising from unused tax losses of HK$80.39 million (2017: HK$72.80 million) available for offsetting against future taxable profits of the companies which incurred taxation losses. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

28. SHARE CAPITAL

	Notes	**Number of Shares**	**Amount** HK$'000
Authorised:			
At 1 July 2016, at 30 June 2017, at 1 July 2017 and at 30 June 2018, at HK$0.025 each		20,000,000,000	500,000
Issued and fully paid:			
At 1 July 2016		4,456,291,922	111,407
Issue of shares pursuant to acquisition of subsidiaries	a	487,992,111	12,200
Share option exercises	b	20,000,000	500
At 30 June 2017 and at 1 July 2017		4,964,284,033	124,107
Placing of new shares	c	988,850,000	24,721
At 30 June 2018		5,953,134,033	148,828

Notes:

(a) On 16 August 2016, the Company issued 487,992,111 shares as consideration to acquire entire equity interests in ECrent (Hong Kong) Limited and 0.45% equity interests in YSK 1860 Investment Company Limited.

(b) The share option holder, Mr. Chow Kin Ming, exercised a total number of 20,000,000 ordinary shares at the exercised price of HK$0.145 each on 1 December 2016.

(c) On 12 July 2017, the Company entered into placing agreement with a placing agent for placing an aggregate of 988,850,000 new shares to ultimate beneficial owners at a price of HK$0.07 per placing share. The placing was subsequently completed on 3 August 2017.

29. SHARE OPTION SCHEME

In connection with the listing of the Company's shares on the Main Board of the Stock Exchange, the Company conditionally adopted a share option scheme (the "Scheme") pursuant to an ordinary resolution passed by the shareholders of the Company on 2 December 2014. The Scheme became effective on 2 December 2014 upon the listing of the Company's shares on the Main Board of the Stock Exchange by way of introduction and, unless otherwise cancelled or amended, the Scheme remains in force for ten years from that date.

The purpose of this Scheme is to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

The participants of the Scheme include: directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000, in any twelve-month period up to the date of grant, are subject to shareholders' approval in advance in a general meeting.

The total number of shares of the Company in respect of which options may be granted under the Scheme must not exceed 494,428,403 shares, being 10% of the total number of shares of the Company in issue on the date when the 10% Scheme limit has been refreshed.

The total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted to each participant (including exercised and outstanding options) in any twelve-month period up to the date of grant shall not exceed 1% of the total number of shares of the Company in issue as at the date of grant (the "Individual Limit"). Any further grant of options in excess of the Individual Limit must be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting.

An option may be exercised at any time during a period as the Board of the Company may determine which shall not be more than ten years from the date of grant of the option.

Save as determined by the Board, there is no minimum period for which an option must be held before it can be exercised.

The acceptance of an offer of the grant of an option must be made within 7 days from the date upon which such offer is made with a non-refundable payment of HK$1.00 from the grantee to the Company by way of consideration for the grant thereof.

29. SHARE OPTION SCHEME *(Continued)*

The subscription price of a share of the Company in respect of any option shall be such price as the Board in its absolute discretion shall determine, save that such price will not be lower than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a trading day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and (c) the nominal value of the share.

Subject to earlier termination of the Company by resolution in general meeting, the Scheme shall be valid and effective till 2 December 2024. After the expiry of such valid period, no further options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect.

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

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Binominal option price model, taking into account the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessary be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

Details of the specific categories of options are as follows:

Grantee	**Date of Grant**	**Exercise period**	**Exercise price** (Note) HK$
Employees and consultants	21 March 2016	21/3/2016–20/3/2026	0.145

Details of the share option outstanding during the year are as follows:

	2018		2017	
	Number of share options	**Weighted average exercise price (HK$)**	Number of share options	Weighted average exercise price (HK$)
Outstanding at the beginning of the year	**242,000,000**	**0.145**	262,000,000	0.145
Exercised during the year	**–**	**–**	(20,000,000)	0.145
Outstanding at the end of the year	**242,000,000**	**0.145**	242,000,000	0.145
Exercisable at the end of the year	**242,000,000**	**0.145**	242,000,000	0.145

The options outstanding at 30 June 2018 had an exercise price at HK$0.145 per share and a weighted average remaining contractual life of 7.7 years (2017: 8.7 years).

29. SHARE OPTION SCHEME *(Continued)*

The fair value of share options is determined at the date of grant using Binominal Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

	21 March 2016
Fair value at grant date	HK$0.052
Share price	HK$0.138
Exercise price	HK$0.145
Expected Volatility of Underlying Share (expressed as weighted average Volatility used in the modeling under the Binominal Option Price Model)	109.74%
Option life (expressed as weighted average life used in the modeling under the Binominal Option Price Model)	10 years
Expected dividends	0%
Risk free rate	1.228%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

There were no equity-settled share-base payments charge to the profit or loss during the year ended 30 June 2018 and 2017.

At the end of the reporting period, the Company has 242,000,000 share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 242,000,000 additional ordinary shares of the Company and additional share capital of approximately HK$6,050,000.

During the year ended 30 June 2018, no share options have been exercised.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The share premium account of the Group mainly includes: (i) shares issued at a premium; and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") in preparation for the public listing of the Company's shares on the GEM of the Stock Exchange over the nominal value of the share capital of the Company issued in exchange therefore.

In accordance with the relevant the PRC regulations applicable to WOFE, all the PRC subsidiaries of the Company, are required to transfer 10% of their profit after tax, if any, to the statutory reserve until the balance of the fund reach 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant the PRC regulations, the statutory reserve may be used to offset against their respective accumulated losses.

31. COMMITMENTS

(a) Operating lease commitment

(i) The Group as lessee

The Group leases certain of its offices and warehouses under non-cancellable operating lease arrangements with lease terms ranging from one to four years. As at 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**1,774**	5,343
In the second to fifth years, inclusive	**1,617**	3,529
	3,391	8,872

(ii) The Group as lessor

Property rental income earned during the year was approximately HK$144,000 (2017: approximately HK$137,000).

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payment:

	2018 **HK$'000**	2017 HK$'000
Within one year	–	617
In the second to fifth years, inclusive	–	2,695
After fifth years	–	7,083
	–	10,395

(b) Capital commitment

The Group did not have any significant capital commitment as at the end of the reporting period (2017: Nil).

32. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. During the year ended 30 June 2018, the Group's strategy, which was unchanged from previous years, was to reduce the gearing ratio. The ratio is calculated based on total debt and shareholders equity.

The gearing ratio at the year end was as follows:

	2018 **HK$'000**	2017 HK$'000
Total debt	**41,718**	48,045
Shareholders' equity	**204,032**	297,185
Gearing ratio	**20.45%**	16.17%

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions and balances with certain related parties:

(a) Related party balances

	2018 **HK$'000**	2017 HK$'000
Amounts due to directors (Note)	**452**	4,728

Note:

The amount is unsecured, interest free and repayable on demand.

(b) Transaction with related party

During the year ended 30 June 2018, Mr. Chan Chunhui, a shareholder of the Company, advanced HK$3,000,000 to the Group. The Group paid interest of approximately HK$34,000 to Mr. Chan Chunhui.

(c) Compensation of key management personnel of the Group

The Directors are of the opinion that the key management personnel of the Group comprised of the directors of the Company, details of whose emoluments are set out in Note 12(a) and certain highest paid employees whose remunerations are set out in Note 12(b).

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Trade receivables	**47,009**	37,446
Loan receivable	**10,000**	–
Deposits and other receivables (Including non-current other receivables)	**74,845**	103,490
Cash and bank balances	**31,178**	18,069
	163,032	159,005
Financial liabilities		
Trade payables	**9,039**	13,181
Accrued liabilities and other payables	**23,515**	5,700
Amount due to directors	**452**	4,728
Borrowings	**–**	16,000
Trade deposits received	**8,524**	8,366
	41,530	47,975

(b) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Market risk exposures are measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk management

Except as disclosed below, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's cash flow interest-rate risk mainly arises from bank balances. The Group regularly seeks out the most favourable interest rates available for its bank balances. Bank balances issued at variable rates expose the Group to cash flow interest rate risk. Information relating to the interest rates and terms of the Group's bank balances are disclosed in Note 23. As at 30 June 2018, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$147,000 (2017: approximately HK$90,000) lower/higher.

The Group's financial assets bore at fixed interest rate which comprise with loan receivable and other receivables. Accordingly, management considers the Group has no significant fair value interest rate risk from financial assets and no sensitivity analysis has been presented.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

Foreign exchange risk management

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group's sales and purchases are denominated primarily in Renminbi, which expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

As Hong Kong dollar is pegged to United States dollar within a narrow range, it is considered that the amount had no significant exposure to foreign exchange.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2018 **HK$'000**	2017 HK$'000
Assets		
RMB	**77,526**	100,909
NZD	**1,929**	2,017
	79,455	102,926
Liabilities		
RMB	**19,112**	29,507
NZD	**5,578**	4,744
	24,690	34,251

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Sensitivity analysis on foreign currency risk management

The following table details the Group's sensitivity to a 5% increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be positive.

	2018 **HK$'000**	2017 HK$'000
Impact of RMB		
Profit and loss#	**2,921**	3,570
Impact of NZD		
Profit and loss#	**(182)**	(136)
	2,739	3,434

This is mainly attributable to the exposure outstanding on receivables and payables denominated in RMB and NZD.

Credit risk

As at 30 June 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to 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.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs period credit evaluations of its customers. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding its liquidity structure of the overall assets, liabilities, loans and commitments. The Group also monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows.

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

	Weighted average effective interest rate	**Within 1 year or repayable on demand**	**2 to 5 year**	**Total undiscounted cash flows**	**Carrying value**
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2018					
Non-interest bearing	**–**	**41,530**	**–**	**41,530**	**41,530**
At 30 June 2017					
Non-interest bearing	–	31,975	–	31,975	31,975
Interest bearing*	10.8	17,239	–	17,239	16,000
		49,214	–	49,214	47,975

* These repayment include principle and loan interest.

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) Financial instruments carried at fair value

The Group does not have financial instruments recorded at fair value as at 30 June 2018 and 2017.

(ii) Financial instruments carried at other than fair value

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2018 and 2017, except for the balances due to directors and accrued liabilities and other payables, which are interest-free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose their fair values.

35. STATEMENT OF FINANCIAL POSITION FOR THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	**5**	9
Interests in subsidiaries	**–**	13,000
Other assets	**–**	100,039
	5	113,048
Current assets		
Amounts due from subsidiaries	**28,840**	67,285
Dividend receivable from subsidiary	**4,199**	4,199
Deposits, prepayments and other receivables	**5,082**	1,791
Cash and bank balances	**530**	533
	38,651	73,808
Current liabilities		
Amounts due to subsidiaries	**1,000**	1,000
Accrued liabilities and other payables	**19,717**	2,885
Amounts due to directors	**452**	4,728
	21,169	8,613
Net current assets	**17,482**	65,195
Total assets less current liabilities	**17,487**	178,243
Net assets	**17,487**	178,243
Capital and reserves		
Share capital	**148,828**	124,107
Reserves (Note)	**(131,341)**	54,136
Total equity	**17,487**	178,243

The Company's statement of financial position was approval by the Board of Directors on 27 September 2018 and was signed on its behalf.

Chan Christina	**Shi Yanxin**
Director	*Director*

35. STATEMENT OF FINANCIAL POSITION FOR THE COMPANY *(Continued)*

Note:

A summary of the Company's reserve is as follows:

	Share premium HK$'000	Capital redemption reserves HK$'000	Share option reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2016	418,796	29	13,624	(277,163)	155,286
Placing of shares	87,839	–	–	–	87,839
Exercise of share option	3,440	–	(1,040)	–	2,400
Loss for the year	–	–	–	(191,389)	(191,389)
At 30 June 2017 and at 1 July 2017	510,075	29	12,584	(468,552)	54,136
Placing of shares	42,518	–	–	–	42,518
Loss for the year	–	–	–	(227,995)	(227,995)
At 30 June 2018	552,593	29	12,584	(696,547)	(131,341)

36. EVENTS AFTER THE REPORTING PERIOD

(a) The Company had entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") with Zhejiang Caogen Network Technology Co., Ltd.* (浙江草根網絡科技有限公司) ("Caogen Network") on 13 July 2018, which was aimed to draw on the strength of respective businesses of the parties, including the traditional loan business that the Company has developed and the experience and advantages accumulated by Caogen Network for years in the industry of integrated internet finance service platform, to create a leading international integrated internet finance service platform. The Strategic Cooperation Agreement was later terminated on 1 August 2018.

(b) On 10 August 2018, the Company had entered into a memorandum of understanding (the "MOU") with Enesoon New Energy (Shenzhen) Company Limited ("Enesoon") pursuant to which both parties agreed to cooperate, among others, in the fields of clean energy technology, development of a low carbon, green environment, energy transformation and the building of ecological civilized cities. The MOU will remain in effect for one month from the date of the MOU (or such later date as the Company and Enesoon may agree in writing).

(c) On 14 August 2018, the memorandum of understanding dated 14 May 2018 and entered into between the Company and Team Eight Group Limited in relation to a possible acquisition of entire shareholding of the Sky Happiness Limited, which is engaged in property investment and owns a property located at 20th Floor, Sunshine Plaza, No. 353 Lockhart Road, Hong Kong with a total gross floor area of approximately 4,765 square feet, was lapsed.

(d) On 31 August 2018, the disposal agreement dated 7 May 2018 that the Company entered into with Joyful Sail Limited in relation to the disposal of all issued share of Vitop Manuka Resources Limited ("Disposal Agreement") was lapsed, as the conditions of the Disposal have not been fulfilled by the long stop date and the parties to the Disposal Agreement have not agreed on any further extension of the long stop date. Details of the Disposal agreement and the transactions are set out in the announcements dated 7 May 2018, 29 May 2018, 29 June 2018, 13 August 2018 and 31 August 2018.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issued by the Board on 27 September 2018.

SUMMARY OF FINANCIAL INFORMATION

	Year ended 30 June				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**46,824**	53,524	105,893	27,739	14,420
Loss before income tax	**(168,310)**	(72,888)	(113,264)	(30,431)	(25,468)
Income tax credit/(expense)	**708**	1,925	458	(14)	–
Loss for the year	**(167,602)**	(70,963)	(112,806)	(30,445)	(25,468)
Attributable to:					
Owners of the Company	**(167,059)**	(70,505)	(112,641)	(30,386)	(25,262)
Non-controlling interests	**(543)**	(458)	(165)	(59)	(206)
	(167,602)	(70,963)	(112,806)	(30,445)	(25,468)

	At 30 June				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**247,584**	348,312	306,359	235,712	153,108
Total liabilities	**(43,312)**	(50,347)	(35,600)	(70,070)	(40,115)
Non-controlling interests	**(240)**	(780)	(1,251)	(1,460)	(1,519)
Equity attributable to owners of the Company	**204,032**	297,185	269,508	164,182	111,474

匯銀控股集團有限公司
Huiyin Holdings Group Limited
(香港股份代號：1178)
(HK STOCK CODE: 1178)