Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 1166

ANNUAL REPORT 2019

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAU Lai Him *(Chairman and Managing Director)*
CHAU Chi Ho *(Deputy Chairman)*
LIU Dong Yang

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

COMPANY SECRETARY

CHAN Kam Yee

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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STOCK CODE

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WEBSITE

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AUDITOR

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Hong Kong

LEGAL ADVISOR

Herbert Smith Freehills
23/F, Gloucester Tower
15 Queen's Road Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS (IN ALPHABETICAL ORDER)

Bank of China Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

FINANCIAL RESULTS

The Board of Directors (the "**Directors**" or "**Board**") of Solartech International Holdings Limited (the "**Company**") announces that for the year ended 30 June 2019 (the "**year under review**"), total turnover of the Company and its subsidiaries (the "**Group**") was approximately HK$317,134,000, representing a decrease of 19.8% as compared to approximately HK$395,380,000 recorded for the corresponding period last year. During the year under review, loss attributable to owners of the Company was approximately HK$301,963,000, as compared to the loss attributable to owners of the Company of approximately HK$85,639,000 for the corresponding period last year. Loss per share for the year under review was approximately HK$0.13 (Loss per share for 2017/18: HK$0.04).

BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK$317,134,000, representing a decrease of 19.8% as compared to approximately HK$395,380,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK$176,494,000, representing a decrease of 10.0% as compared to approximately HK$196,081,000 for the same period of last year and accounted for 55.6% of the Group's total turnover. Turnover of the copper rod business was approximately HK$127,419,000, representing a decrease of 29.0% as compared to approximately HK$179,408,000 for the same period of last year and accounted for 40.2% of the Group's total turnover. Turnover of the leasing business was approximately HK$9,187,000, representing a decrease of 20.5% as compared to approximately HK$11,550,000 for the same period of last year and accounted for 2.9% of the Group's total turnover. Turnover of other business was approximately HK$4,034,000 and accounted for 1.3% of the Group's total turnover, as compared to approximately HK$8,341,000 for the same period of last year.

By geographical market segments, turnover from the business in the Americas decreased by 19.3% to approximately HK$13,857,000 from approximately HK$17,164,000 for the same period of last year, accounting for 4.4% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 21.8% to approximately HK$258,571,000 from approximately HK$330,755,000 for the same period of last year, accounting for 81.5% of the Group's total turnover. Turnover from the business in Europe decreased by 4.8% to approximately HK$32,598,000 from approximately HK$34,237,000 for the same period of last year, accounting for 10.3% of the Group's total turnover. Turnover from the business in other regions decreased by 8.4% to approximately HK$12,108,000 from approximately HK$13,224,000 for the same period of last year, accounting for 3.8% of the Group's total turnover.

Cables and Wires

The Group's turnover of the cables and wires business for the year under review was approximately HK$176,494,000, representing a decrease of 10.0% as compared to approximately HK$196,081,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the year under review, the ongoing Sino-US trade war brought uncertainties to China's and foreign economy, which led to the difficult operating conditions in the manufacturing industry. The Group has been proactively monitoring the development of the US-China trade war as well as the direction of upcoming policies in Mainland China, and has carried out research and adjustments accordingly to adopt appropriate market strategies.

Copper Rod Business

The copper rod business comprises the trading of copper rods and copper wires and their related products. During the year under review, the turnover of the copper rod business was approximately HK$127,419,000, representing a decrease of 29.0% as compared to approximately HK$179,408,000 for the same period of last year. International copper prices dropped during the year under review and the 3-month London Metal Exchange copper price decreased from approximately US$6,600 at the beginning of the year under review to approximately US$6,000 at the end of the year under review. As China is the biggest copper import country in the world, additional tariffs imposed by the US will decrease the demand of China, and since the Sino-US trade war has casted shadow to economic prospects and resulted in continuous low copper prices, the operating conditions of the copper rod trading business will remain difficult. The Group will closely monitor the development of the Sino-US trade war and adopt appropriate strategies accordingly.

Rental Income

Investment properties of the Group mainly comprise industrial properties in Hong Kong and the PRC. During the year under review, rental income was approximately HK$9,187,000, representing a decrease of approximately 20.5% as compared to approximately HK$11,550,000 for the same period last year. Such decrease was mainly due to the lack of leasing of the plant in Qingpu District, Shanghai.

Metallurgical Grade Bauxite Trading Business

During the year under review, no turnover was recorded in the metallurgical grade bauxite trading business and commodities for this business were mainly imported from Malaysia, while the authority in Malaysia has implemented a suspension order on bauxite mining since the beginning of 2016 in order to monitor mining operations and alleviate water pollution problems. Due to the policies and business uncertainties in that place, the Group will proactively consider reallocating resources to other developable businesses.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. During the year under review, with the escalating Sino-US trade war, the demand for non-ferrous metal in China and the world has further slowed down the economy. Since there are still many uncertainties in the Mongolian and international mining market, the Group has adopted a more cautious investment strategy in relation to the mining investment development in Mongolia. Apart from the work required to maintain mining rights, no large scale capital investment was made during the year under review.

Securities Business

The turnover of the securities business merely amounted to HK$1,953,000 during the year under review, representing a significant decrease of approximately 76.6% as compared with approximately HK$8,341,000 for the same period last year. As competitors lowered their brokerage fee resulting in fierce competition in the industry and thereby high operating costs, coupled with the influence of various external market factors such as the Sino-US trade war, the Hong Kong stock market may experience persistent volatility. Our Directors expect that the market conditions will be increasingly difficult. Therefore, having carefully considered the business development of Pico Zeman Securities (HK) Limited ("**Pico Zeman**") in the foreseeable future, our Directors were of the view that the chance would be slim for Pico Zeman to achieve a turnaround from loss to profit. Therefore, they suspended its securities brokerage, securities advisory and asset management businesses since 12 March 2019, and subsequently decided to cease the operation of Pico Zeman since 3 June 2019. The Board believes that the cessation of securities business will better serve the interests of the Group and Shareholders as a whole.

Advertising Business

The Group owns 49% of the issued capital of Idea International Holdings Limited ("**Idea**"). During the year under review, as confidence in the PRC's general economic market was shaken, the advertising market in the PRC has entered a period of intensified adjustment. While there has been an overall significant decline in the advertising market of the PRC, conventional markets have experienced an even greater decline. As the PRC continued to implement the deleveraging policy, some corporate customers in the advertising business met capital turnover difficulties. In order to reduce operating costs, corporate customers reduced excessive spending on brand advertisement and significantly reduced their budget on advertisements. Given the fast-changing market, the rise of new media, and the de-intermediation of brands, the room for development for traditional advertisement companies is severely cramped. The aforementioned factors had material adverse impacts on the advertising business and its prospects during the year under review.

Trading Business

During the year under review, 東莞橋梓周氏電業有限公司 (Dongguan Qiaozi Chau's Electrical Co., Ltd*) ("**Dongguan Qiaozi**"), an indirect wholly-owned subsidiary of the Company, and 供銷外貿市場經營管理(廣東)有限公司 (Gongxiao Waimao Market Operation Management (Guangdong) Company Limited*) ("**Gongxiao Waimao**") entered into a cooperation agreement on 14 March 2019 and severally undertook to increase their capital contribution to 東莞市韵鑫高分子科技有限公司 (Dongguan Yunxin Polymer Technology Company Limited*) ("**Dongguan Yunxin**"). Upon completion of the capital increase, Dongguan Yunxin would be held by Dongguan Qiaozi and Gongxiao Waimao as to 51% and 49% respectively, and the name of Dongguan Yunxin was subsequently changed to 東莞優品商貿發展有限公司 (Dongguan Youpin Business Development Co., Ltd.*) ("**Dongguan Youpin**") with effect from 1 April 2019. The business of Dongguan Youpin covers, inter alia, grocery wholesale, materials of non-ferrous metals, building materials, import and export and other ancillary services. Gongxiao Waimao is engaged in the provision of all-rounded commercial services and wholesales in the PRC and has extensive experience and clientele in the groceries wholesale business. The Directors are of the view that the deemed disposal and the capital increase could enhance financial strengths of Dongguan Yunxin and will create synergy effect with the Group's existing business.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

PROSPECTS

The Sino-US trade war, which broke out in 2018, has shown no sign of mitigating so far. Trade tensions between China and the US have led to widespread concerns over the development of the global economy, and the upstream customers of the cables business of the Group were the first to be affected by the increased tariff in the Sino-US trade war. In order to disperse risks, they were planning to relocate their businesses to Southeast Asian countries in view of the low cost of labor, the abundance of raw materials, and the ability to avoid the tariff pressure flowing from trade tensions there. For the avoidance of losing these customers and for seeking greater business opportunities, the Group is exploring the feasibility of moving some of its production lines to Southeast Asia. The Group will closely monitor the impact of the trade war on the Group's business and make adjustments on our business development accordingly.

廉江市周氏石材有限公司 (Lianjiang Zhou's Marble Limited*) ("**Zhou's Marble**"), an indirect non-wholly owned subsidiary of the Company, is in active preparation for land development project. Preliminary work, such as land formation and geotechnical engineering investigation, has been completed, and the State-owned Land Use Permit and Construction Land Use Permit have been obtained. Zhou's Marble is expected to satisfy all the conditions for the completion of the construction and obtain necessary permits in the second half of 2019. The Company is determined to establish a stone industry processing and trading base on the lands in Lianjiang, hoping to generate new income for the Group and diversify the business of the Group.

The Group will proactively identify potential business partners and new business opportunities with growth potential to achieve a balanced development with existing operations, expand its income sources, realize diversified and sustainable development and increase shareholders' values.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, the shareholders, staff and management of the Company for their continuous dedication, commitment and support in the past year.

On behalf of the Board

Chau Lai Him
Chairman and Managing Director

27 September 2019

EXECUTIVE DIRECTORS

Mr. CHAU Lai Him, aged 68, is the chairman and managing director of the Company and the founder of the Group. Mr. Chau has been appointed as an executive director of the Company since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 35 years' experience in the cable and wire industry and extensive experience in the mining industry.

Mr. CHAU Chi Ho, aged 37, has been appointed as an executive director since April 2015 and was appointed as the deputy chairman of the Company on 21 June 2019. He is the finance manager of Chau's Electrical Company Limited. He is responsible for accounting and financial management of the subsidiaries of the Group in Hong Kong and Dongguan. He holds a bachelor's degree in Business Administration from the California State Polytechnic University Pomona, United States and has more than 10 years' experience in finance and accounting. He is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company.

Mr. LIU Dong Yang, aged 45, has been appointed as an executive director since January 2010. Mr. Liu is the general manager of Shanghai Chau's Electrical Company Limited and is responsible for its overall operations. He holds a college diploma in international finance from Hunan Finance and Economics College and a bachelor degree in business administration from the distance education college of Renmin University of China. He has more than 20 years' experience in finance and accounting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG KAM Kwong, aged 62, has been appointed as an independent non-executive director of the Company since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics, major in Accounting, from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management. He is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

Mr. LO Wai Ming, aged 67, has been appointed as an independent non-executive director of the Company since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has more than 35 years' experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a fellow of the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 54, has been appointed as an independent non-executive director of the Company since November 2006. He is the general manager of Sunf Pu Technology Co., Ltd, a company incorporated in Taiwan, Republic of China. He has more than 25 years' experience in the cable and wire industry.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. CHAN Kam Yee, Shirley, aged 59, has been appointed as the company secretary of the Company since November 2007. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She has more than 30 years' experience in finance and accounting and more than 20 years' experience in company secretarial affairs.

SENIOR MANAGEMENT

Ms. LAM Sui Lan, Miranda, aged 50, rejoined the group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 20 years' experience in sales and marketing in the field of cable and wire products.

Mr. TSUI Lok Kin, aged 38, joined the group in April 2016 and is the accounting manager of Chau's Electrical Co., Ltd and is responsible for accounting and financial management. He holds a bachelor degree in Business from the Monash University, Australia. He is a member of the CPA Australia and has more than 10 years' experience in auditing, finance and accounting.

Mr. ZHOU Qi Qin, aged 55, joined the group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's Electrical Co., Ltd ("**Dongguan Qiaozi**"). He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 25 years' experience in manufacturing management.

Mr. YUEN Hoi Cheung, aged 52, joined the group in March 1985 and is the operations manager of Dongguan Hua Yi Brass Products Co., Ltd ("**Dongguan Hua Yi**"). He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 30 years' experience in operations management.

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 30 June 2019 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the Group is principally engaged in the cables and wires business, copper rod business, property investment business, securities business, mining business and advertising business. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in notes 21, 22 and 23 to the Financial Statements, respectively. An analysis of the revenue from the principal activities during the year ended 30 June 2019 (the "**Financial Year**" or "**the year under review**" or "**the Reporting Period**") is set out in notes 6 and 7 to the Financial Statements. Further discussion and analysis of the operating activities of the Group during the Financial Year, and an indication of likely future developments in the Group's business, as required by Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong), can be found in the sections headed "Chairman's Statement" as set out on pages 3 to 6 of this annual report. Such discussion forms part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To the best of knowledge and belief, the Directors consider that the following are the key risks and uncertainties identified by the Group as at the date of this directors' report.

Risk in Mining Business

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. As there are still many uncertainties in the Mongolian and the international mineral markets, apart from carrying out additional exploration work and the necessary work to maintain mining rights, no large scale capital investment was made during the year under review. The management will closely monitor the investment risks of Mongolia and make adjustments to the investment strategies accordingly.

Foreign Exchange Rate Risk

The cash and cash equivalents of the Group are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The majority of the Group's operations are located in the PRC. The Company continues to pay regular and active attention to fluctuations in the Renminbi exchange rate and any exchange risks.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates and interest rates. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest Rate Risk

For interest-sensitive investments, the Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 17% OF THE ENTIRE ISSUED SHARE CAPITAL OF OCEAN PRIDE VENTURES LIMITED

On 8 March 2019, the Company announced that the Company and Kadesh Resources Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "**Agreement**") with Sonic Sunway Limited (the "**Vendor**"). Pursuant to the Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell 8,500 ordinary shares in the capital of Ocean Pride Ventures Limited (the "**Target Company**"), representing 17% of the issued share capital of the Target Company (the "**Acquisition**") at the consideration of HK$15,000,000 (the "**Consideration**").

On 30 April 2019, the Purchaser, the Vendor and the Company entered into a side letter agreement (the "**Side Letter Agreement**"), pursuant to which the parties to the Side Letter Agreement irrevocably agreed that the full Consideration would be settled by way of issue of the promissory note (the "**Promissory Note**") with a 24-month maturity and 6% of interest per annum (instead of partly by way of cash as previously stipulated in the Agreement). The transferrable Promissory Note was issued by the Company for the principal amount of HK$15,000,000 with 24-month term at 6% interest per annum in favour of the Vendor.

Upon completion, the Company would indirectly hold 17% of the entire issued share capital of the Target Company, which indirectly holds the business of 江門市博林照明科技有限公司 (Jiangmen Bolin Lighting Technology Company Limited*) (the "**Operating Company**") through the target group (the "**Target Group**", including the Target Company, the Operating Company, Vietta Investment Holdings Limited ("**Vietta Investment**") and 江門市健輝照明科技有限公司 (Jiangmen Jianhui Lighting Technology Company Limited*) ("**Jiangmen Jianhui**")), which would not be treated as the subsidiaries of the Company and the financial statements of which would not be consolidated into the financial statements of the Group.

The Group has been actively exploring business opportunities to engage in new lines of business with growth potential and broaden its income stream in order to achieve diversified and sustainable development. The Target Group is engaged in the research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC. The Directors are of the view that the Acquisition could help further diversify the Group's business and will expand and create synergy effect with the Group's existing business. The Directors further consider that the business of manufacturing low-carbon lighting products in the PRC has shown growth potential and expect that the diversification of the income stream will boost the Shareholders' value and benefit the Company and the Shareholders.

On 30 April 2019, the Company further announced that all the conditions of the Acquisition were fulfilled and the completion of the Acquisition successfully took place on 30 April 2019. Since certain of the applicable percentage ratios of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

The details and completion of the Acquisition were set out in the announcements of the Company dated 8 March 2019 and 30 April 2019.

* *For identification purposes only*

DISCLOSEABLE TRANSACTION IN RELATION TO DEEMED DISPOSAL OF EQUITY INTEREST IN DONGGUAN YUNXIN POLYMER TECHNOLOGY COMPANY LIMITED

On 14 March 2019 (after trading hours), Dongguan Qiaozi and Gongxiao Waimao entered into a cooperation agreement (the "**Cooperation Agreement**"). Pursuant to the Cooperation Agreement, the registered capital of Dongguan Yunxin, a wholly-owned subsidiary of Dongguan Qiaozi and an indirect wholly-owned subsidiary of the Company prior to the Capital Increase (as defined below) would be increased from RMB3 million (approximately HK$3.51 million) to approximately RMB66.67 million (approximately HK$78.00 million), and Dongguan Qiaozi and Gongxiao Waimao agreed to make a capital commitment in cash of approximately RMB31.00 million (approximately HK$36.27 million) and RMB32.67 million (approximately HK$38.22 million) to Dongguan Yunxin respectively ("**Capital Increase**"). Balance of the registered capital of RMB63.67million (approximately HK$74.49 million) shall be paid up before 31 December 2038.

Upon completion of the Capital Increase, the equity interest of Dongguan Qiaozi in Dongguan Yunxin will be diluted from 100% to 51% ("**Deemed Disposal**"). Dongguan Yunxin would be held as to 51% by Dongguan Qiaozi and as to 49% by Gongxiao Waimao.

The total additional capital of approximately RMB63.67 million (approximately HK$74.49 million) payable by Dongguan Qiaozi and Gongxiao Waimao would be applied by Dongguan Yunxin as general working capital.

The scope of business of Dongguan Yunxin is intended to be, among others, groceries wholesale, metal materials, non-ferrous metals, construction materials, imports and exports, and other ancillary services.

The Group intended to achieve a balanced development through diversified development with the existing business to increase shareholders' values and create room for sustainable development of the Group. The Group had been actively seeking potential business partners and new opportunities with growth potential to broaden its income stream in order to achieve diversified and sustainable development. Gongxiao Waimao is engaged in the provision of all-rounded commercial services and wholesales in the PRC and has extensive experience and clientele in the groceries wholesale business. The Directors are of the view that the Deemed Disposal and the Capital Increase could enhance financial strengths of Dongguan Yunxin and will create synergy effect with the Group's existing business.

The Directors consider that the terms of the Cooperation Agreement are on normal commercial terms, fair and reasonable and the Capital Increase is in the interests of the Company and the Shareholders as a whole.

The details of the discloseable transaction in relation to the Deemed Disposal were set out in the announcements of the Company dated 14 March 2019.

With effect from 1 April 2019, the company name of Dongguan Yunxin has been changed to 東莞優品商貿發展有限公司.

As at the date of this Report, the completion of the proposed Capital Increase has yet been taken place.

CESSATION OF BUSINESS OF PICO ZEMAN SECURITIES (HK) LIMITED

On 12 March 2019, the Board announced that Pico Zeman, an indirect non-wholly owned subsidiary of the Company, has suspended its business in securities brokerage, securities advisory and assets management with effect from 12 March 2019. Pico Zeman had taken steps to immediately notify its clients of the suspension of business and has been returning to them the funds and assets held or managed on their behalf. In accordance with the SFO, Pico Zeman had also notified the SFC in relation to the suspension of business.

On 10 June 2019, the Board announced that Pico Zeman has decided to cease its operation and voluntarily surrender the licences issued under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities with effective from 3 June 2019. Since Pico Zeman voluntarily suspended its business on 12 March 2019 in compliance with the SFO, the Company had been in negotiations with potential investors in relation to the possible investment in Pico Zeman in order to raise capital and meet the liquid capital requirement under the SFO and other relevant regulations. However, due to the outbreak of trade war between China and the U.S., the Company and the investors were unable to reach any agreements in relation to any potential investment.

The Board believes that the cessation of the business of Pico Zeman has not had any material effect on the overall operations of the Group.

The details of the suspension and cessation of business of Pico Zeman were set out in the announcements of the Company dated 12 March 2019 and 10 June 2019 respectively.

SIGNIFICANT INVESTMENT

Save as disclosed above, the Group did not make any other significant investment during the year under review and the Group does not have any other plans for material investments or capital assets or disposals as at the date of this directors' report.

CAPITAL STRUCTURE

The Company did not make any fund raisings or any capital reorganisation during the year under review and the Group does not have any other fund raising plans as at the date of this report.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2019.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Group as well as preserving the interests of its Shareholders as a whole. The Company has adopted and committed to the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and has prepared the corporate governance report. The Board will continue to review and monitor the practices of the Group with an aim to maintaining the highest standard of corporate governance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving.

We have completed our Environmental, Social and Governance ("**ESG**") report which contains our ESG information in 2018/2019 and the requirements under the Environmental, Social and Governance Reporting Guide of the Listing Rules. The ESG report for the year under review is set out on pages 39 to 48 of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationships with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners or bank enterprises.

RESULTS

The results of the Group for the year ended 30 June 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 55 and 56 of this annual report.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2019.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 160 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of additions and other movements during the year ended 30 June 2019 in the property, plant and equipment of the Group are set out in note 15 to the Financial Statements.

DIRECTOR'S REPORT

SHARE CAPITAL

During the year ended 30 June 2019, 9,500,000 share options were exercised and 9,500,000 new ordinary shares of par value of HK$0.01 each were issued at the exercise price of HK$0.355 per share. The total proceeds of HK$3,372,500 were utilized as general working capital for the operations of the Hong Kong office of the Company. Save as the above, no new ordinary shares were issued during the year ended 30 June 2019.

Details of changes in the share capital of the Company during the year ended 30 June 2019 are set out in note 36 to the Financial Statements.

RESERVES

The Company's distributable reserve as at 30 June 2019 was Nil (30 June 2018: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2019 are set out in the consolidated statement of changes in equity on pages 59 and 60 of this annual report.

RELATED PARTY TRANSACTIONS

During the year ended 30 June 2019, related party transactions which do not constitute connected transaction under the Listing Rules was nil as disclosed in note 44 to the Financial Statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 June 2019.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 30 June 2019, the Group implemented a prudent financial management policy. As at 30 June 2019, the Group had cash and bank balances amounting to approximately HK$60 million (30 June 2018: HK$87 million) and value of net current assets was approximately HK$142 million (30 June 2018: HK$247 million). The Group's gearing ratio as at 30 June 2019 was 0.15 (30 June 2018: 0.09), being a ratio of total borrowings of approximately HK$172 million (30 June 2018: HK$126 million) to shareholders' funds of approximately HK$1,122 million (30 June 2018: HK$1,409 million).

CHARGES ON GROUP ASSETS

As at 30 June 2019, the Group had pledged investment properties with an aggregate net book value of approximately HK$241 million (30 June 2018: HK$168 million) and pledged bank deposit of HK$2 million (30 June 2018: HK$12 million) to secure general banking facilities granted to the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 30 June 2019 are set out in note 33 to the Financial Statements.

CONTINGENT LIABILITIES

As at 30 June 2019, the Company had issued guarantees to the extent of approximately HK$50 million (30 June 2018: HK$10 million) to secure the total loans of approximately HK$50 million (30 June 2018: HK$10 million) granted to its subsidiaries.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

For the year under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2019 and the changes in fair value were charged to the income statement. The net loss from the Derivative Financial Instruments for the year under review was approximately HK$1,132,000 (2017/18: net gain of HK$738,000).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year under review and up to the date of this directors' report were:

Executive Directors:

Mr. Chau Lai Him *(Chairman and Managing Director)*
Mr. Chau Chi Ho *(Appointed as Deputy Chairman on 21 June 2019)*
Mr. Zhou Jin Hua *(Passed away on 13 June 2019)*
Mr. Liu Dong Yang

Independent non-executive Directors:

Mr. Chung Kam Kwong
Mr. Lo Wai Ming
Mr. Lo Chao Ming

Messrs. Chau Chi Ho, Chung Kam Kwong and Lo Wai Ming will retire by rotation from office as Directors at the forthcoming annual general meeting and Messrs. Chau Chi Ho, Chung Kam Kwong and Lo Wai Ming, being eligible, will offer themselves for re-election pursuant to Bye-law 87 of the Bye-laws of the Company.

Independent non-executive Directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of Directors and senior management of the Group are set out on pages 7 to 8 to this annual report.

CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

On 14 November 2018, the Company announced that the address of the Company's head office and principal place of business in Hong Kong has been changed to Unit 15, 18/F, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 19 November 2018.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

On 2 July 2019, the Company announced that with effect from 11 July 2019, the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, has changed its address to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

CHANGE OF ADDRESS OF BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

On 22 July 2019, the Company announced that with effect from 19 July 2019, the principal share registrar and transfer office of the Company in Bermuda, MUFG Fund Services (Bermuda) Limited, had changed its address to 4th floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

SHARE OPTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company conditionally adopted the share option scheme (the "**Share Option Scheme**"). The details of the Share Option Scheme are set out in a circular to the shareholders of the Company dated 24 October 2012. A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme	The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible persons thereunder for their contributions and continuing efforts to promote the interests of the Group and to enable the Group to recruit and retain high calibre employees.
Participants	The participants of the Share Option Scheme ("**Participants**") include (a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work fulltime or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the foregoing persons.
Total number of securities available for issue under the Share Option Scheme	19,163,234 Shares (The maximum number of Shares subject to the Existing Scheme Mandate Limit under the Share Option Scheme is 235,223,234, which was approved by an ordinary resolution of the Shareholders at the annual general meeting of the Company held on 8 December 2017), representing 0.81% of the issued shares as at the date of this report).

Maximum entitlement of each Participant	No Option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.
Period within which the securities must be taken up under an Option	10 years commencing from the date on which the offer in relation to such Option is accepted or otherwise determined and notified by the Board to the Grantee.
The minimum period, if any, for which an option must be held before it can be exercised	The Board has discretion to set a minimum period for which a Share Option has to be held before the exercise of the subscription rights attaching thereto.
The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK$1.00 is to be paid by each Grantee as consideration for the grant of Share Option within 28 days from the date of offer.
Basis of determining the exercise price	The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine but the subscription price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.
Remaining life of the Share Option Scheme	The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional.

The following table shows details of the movements for the share options granted on 7 October 2016 during the year under review:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK$ Note (1)	Number of Share Options: Outstanding at 1 July 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 30 June 2019
Directors									
Chau Lai Him	7 October 2016	14 October 2016 to 6 October 2018	0.355	18,580,000	–	–	–	(18,580,000)	–
Zhou Jin Hua	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	–	–	–	(17,000,000)	–
Liu Dong Yang	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	–	–	–	(17,000,000)	–
Chau Chi Ho	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	–	(9,500,000) Note (2)	–	(7,500,000)	–
Others	7 October 2016	14 October 2016 to 6 October 2018	0.355	15,000,000	–	–	–	(15,000,000)	–
				84,580,000	–	(9,500,000)	–	(75,080,000)	–

Notes:

(1) The closing price per share as stated in the Stock Exchange's daily quotation sheet on 7 October 2016 was HK$0.350 and the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding 7 October 2016 was HK$0.355.

(2) the weighted average closing price of the shares on the dates immediately before the dates on which the share options were exercised was HK$0.890 per share.

During the Financial Year, 9,500,000 share options were exercised and 9,500,000 new ordinary shares were issued at the exercise price of HK$0.355 per share. During the Financial Year, 75,080,000 share options granted on 7 October 2016 were lapsed and none of the share options granted on 7 October 2016 was cancelled.

The maximum number of Shares subject to the existing scheme mandate limit (the "**Existing Scheme Mandate Limit**") under the Share Option Scheme is 235,223,234, which was approved by an ordinary resolution of the Shareholders at the annual general meeting of the Company held on 8 December 2017, representing 9.91% of the issued shares as at 30 June 2019.

On 20 March 2019 ("**Date of Grant**"), the Company resolved to grant share options (the "**Options**") to subscribe for a total of 162,260,000 shares to 7 directors of the Company and certain eligible persons (collectively, the "**Grantees**"), subject to acceptances of the Grantees, under the Share Option Scheme.

The Details of the Options granted as set out in the announcement of the Company dated 20 March 2019 are as follows:

Date of grant	20 March 2019
Exercise price of Options granted	HK$0.108 per share, which represents the highest of (i) the closing price of HK$0.104 per share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant; (ii) the average closing price of HK$0.108 per share as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the Date of Grant; and (iii) the nominal value of HK$0.01 per share
Number of Options granted	162,260,000 Options (each Option shall entitle the Grantee to subscribe for one share)
Closing price of the Shares on the Date of Grant	HK$0.104 per share
Validity period of the Options	20 March 2019 to 30 June 2021 (both days inclusive) subject to certain vesting conditions applicable to the relevant Grantees

Among the 162,260,000 Options granted as referred to the above, 88,460,000 Options were granted to the following Directors, details of which are as follows:

Name of Director	Position	Number of Options granted
Chau Lai Him	Executive director	23,740,000
Zhou Jin Hua (Note 4)	Executive director	23,740,000
Liu Dong Yang	Executive director	23,740,000
Chau Chi Ho	Executive director	14,240,000
Chung Kam Kwong	Independent non-executive director	1,000,000
Lo Wai Ming	Independent non-executive director	1,000,000
Lo Chao Ming	Independent non-executive director	1,000,000
Total:		88,460,000

The following table shows details of the movements for the share options granted on the Date of Grant during the year under review:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK$ Note (3)	Number of Share Options: Outstanding at 1 July 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 30 June 2019
Directors									
Chau Lai Him	20 March 2019	1 April 2019 to 30 June 2021	0.108	–	23,740,000	–	–	–	23,740,000
Zhou Jin Hua (Note 4)	20 March 2019	1 April 2019 to 30 June 2021	0.108	–	23,740,000	–	–	–	23,740,000
Liu Dong Yang	20 March 2019	1 April 2019 to 30 June 2021	0.108	–	23,740,000	–	–	–	23,740,000
Chau Chi Ho	20 March 2019	1 April 2019 to 30 June 2021	0.108	–	14,240,000	–	–	–	14,240,000
Chung Kam Kwong	20 March 2019	1 April 2019 to 30 June 2021	0.108	–	1,000,000	–	–	–	1,000,000
Lo Wai Ming	20 March 2019	1 April 2019 to 30 June 2021	0.108	–	1,000,000	–	–	–	1,000,000
Lo Chao Ming	20 March 2019	1 April 2019 to 30 June 2021	0.108	–	1,000,000	–	–	–	1,000,000
Employees	20 March 2019	1 April 2019 to 30 June 2021	0.108	–	10,800,000	–	–	–	10,800,000
Others	20 March 2019	1 April 2019 to 30 June 2021	0.108	–	63,000,000	–	–	–	63,000,000
				–	162,260,000	–	–	–	162,260,000

Notes:

(3) The closing price per share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant was HK$0.104 and the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the Date of Grant was HK$0.108.

(4) Mr. Zhou Jin Hua passed away on 13 June 2019. Pursuant to the Share Options Scheme, his personal representative can exercise the share options within 12 months from the date of the participant's death or such longer period as the Board may determine.

As at 30 June 2019, there were a total of 162,260,000 outstanding share options entitling the holders thereof to subscribe for 162,260,000 Shares, representing approximately 6.83% of the number of Shares in issue of the Company. As at 30 June 2019, under the Existing Scheme Mandate Limit, the Company could grant share options to subscribe for up to 72,963,234 Shares, representing approximately 3.07% of the number of Shares in issue of the Company, pursuant to the Share Option Scheme.

During the year ended 30 June 2019, no share options granted on 20 March 2019 was exercised, lapsed or cancelled.

The Company has not adopted any share option scheme during the year ended 30 June 2019.

On 25 July 2019, the Company further resolved to grant share options to subscribe for a total of 53,800,000 shares of HK$0.01 each in the share capital of the Company to certain eligible persons, subject to acceptance of the grantees, under the Share Option Scheme. None of the grantees is a director, chief executive or substantial shareholder of the Company or is an associate of any of them. The details of the options granted are set out in the announcement of the Company dated 25 July 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, the interest of the Directors and their associates in the Shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register 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 as set out in Appendix 10 to the Listing Rules (the "**Model Code**") are as follows:

Name of Director	Capacity	Number of Shares held in long position	Number of underlying Shares held in long position	Total percentage of the issued share capital of the Company
Chau Lai Him	Beneficial owner	0	23,740,000 (Note 5)	1.00%
Zhou Jin Hua (Note 4)	Beneficial owner	0	23,740,000 (Note 5)	1.00%
Liu Dong Yang	Beneficial owner	0	23,740,000 (Note 5)	1.00%
Chau Chi Ho	Beneficial owner	30,160,000	14,240,000 (Note 5)	1.87%
Chung Kam Kwong	Beneficial owner	0	1,000,000 (Note 5)	0.04%
Lo Wai Ming	Beneficial owner	400,000	1,000,000 (Note 5)	0.06%
Lo Chao Ming	Beneficial owner	300,000	1,000,000 (Note 5)	0.05%

Note:

(5) Long position in the underlying shares of the Company under the share options granted on 20 March 2019 pursuant to the Share Option Scheme.

Other than as disclosed above, as at 30 June 2019, none of the Directors nor the Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and Chief Executive of the Company, as at 30 June 2019, there were no persons (other than the Directors or the Chief Executive of the Company) who had a notifiable interest or short position in the shares or underlying shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" of this directors' report, at no time during the year ended 30 June 2019 were rights to acquire benefits by means of acquisition of shares or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 30 June 2019, none of our Directors had any interest in a business which competes, either directly or indirectly, with the business of the Company or the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2019 or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 June 2019.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive Directors have confirmed that they are independent.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2019, the five largest customers of the Group together accounted for approximately 48.3% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 78.2% of the Group's total purchases, with the largest customer accounted for approximately 17.9% of the Group's total turnover and the largest supplier accounted for approximately 28.2% of the Group's total purchases during the year.

At no time during the year ended 30 June 2019 did any of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or five largest suppliers.

PERMITTED INDEMNITY

Pursuant to the Bye-laws of the Company and subject to relevant provisions therein, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur in or sustain by the execution of his/her duty as a director of the Company or otherwise in relation thereto. The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENT POLICY

As at 30 June 2019, the Group had approximately 500 employees in Hong Kong, PRC and overseas (30 June 2018: 500). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results and individual performance.

The Company has adopted the Share Option Scheme to provide incentive to eligible persons, including Directors of the Company and eligible employees of the Group, for their contribution and continuing efforts to the Group.

Particulars of the Group's retirement scheme are set out in note 43 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF 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 directors' report, the Directors are satisfied that the Company has maintained the minimum public float prescribed under the Listing Rules.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of the Company (the "**2019 AGM**") will be held on Friday, 6 December 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification as shareholders of the Company to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Tuesday, 3 December 2019 to Friday, 6 December 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify as shareholders of the Company to attend and vote at the 2019 AGM, investors are required to lodge all properly completed share transfer documents accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 2 December 2019.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurring after the Reporting Period of the Financial Statements.

AUDITOR

The consolidated financial statements of the Company for the Financial Year have been audited by Messrs. BDO Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the 2019 Annual General Meeting to re-appoint Messrs. BDO Limited as the auditor of the Company.

On behalf of the Board

Chau Lai Him
Chairman

27 September 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE CODE PROVISIONS

Throughout the financial year ended 30 June 2019, the Company complied with the code provisions of the Code except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 which are explained below.

Code provision A.2.1

Under Code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

During the year ended 30 June 2019, Mr. Chau Lai Him ("**Mr. Chau**") acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for the effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective for the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and the chief executive officer, are necessary.

Code provision A.4.1

Under Code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The existing independent non-executive Directors were not appointed for a specific term as required under Code provision A.4.1 but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures are in place to ensure that the non-executive Directors are subject to appropriate mechanisms to avoid holding office indefinitely.

Code provision A.4.3

Under Code provision A.4.3, if an independent non-executive director serves more than nine years, his or her further appointment should be subject to a separate resolution to be approved by the shareholders of the Company.

Mr. Chung Kam Kwong has been an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung Kam Kwong retired from office by rotation at the 2016 annual general meeting of the Company held on 2 December 2016 (the "**2016 AGM**") and offered himself for re-election at the 2016 AGM. An ordinary resolution was passed at the 2016 AGM to approve the re-appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company. Mr. Chung Kam Kwong will retire from office by rotation at the 2019 AGM and offer himself for re-election. As an Independent Non-executive Director with extensive experience and knowledge in accounting and financial management as well as in-depth understanding of the Company's operations and business, Mr. Chung has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Chung would not affect his exercise of independent judgement and are satisfied that Mr. Chung has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director and consider Mr. Chung to be independent. A separate resolution will be proposed for his re-election at the 2019 AGM.

Mr. Lo Wai Ming has been an independent non-executive Director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the 2017 annual general meeting of the Company held on 8 December 2017 (the "**2017 AGM**") and offered himself for re-election at the 2017 AGM. An ordinary resolution was passed at the 2017 AGM to approve the re-appointment of Mr. Lo Wai Ming as an independent non-executive Director of the Company. Mr. Lo Wai Ming will retire from office by rotation at the 2019 AGM and offer himself for re-election. As an Independent Non-executive Director with extensive experience and knowledge in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance and in-depth understanding of the Company's operations and business, Mr. Lo has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Lo would not affect his exercise of independent judgement and are satisfied that Mr. Lo has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director and consider Mr. Lo to be independent. A separate resolution will be proposed for his re-election at the 2019 AGM.

Mr. Lo Chao Ming has been an independent non-executive Director of the Company for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming retired from office by rotation at the 2018 annual general meeting of the Company held on 7 December 2018 (the "**2018 AGM**") and offered himself for re-election at the 2018 AGM. An ordinary resolution was passed at the 2018 AGM to approve re-the appointment of Mr. Lo Chao Ming as an independent non-executive Director of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the year ended 30 June 2019, complied with the required standards set out therein.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is entrusted with the overall responsibility of managing the Company's business and affairs and the ultimate responsibility for the day-to-day management of the Company, which is delegated to the Chairman/Managing Director and the management.

On 17 June 2019, the Board announced with deepest regret that Mr. Zhou Jin Hua ("**Mr. Zhou**"), the executive director and the deputy chairman of the Company, passed away on 13 June 2019. The Board would like to thank the late Mr. Zhou for his invaluable contribution to the Company during his tenure of office and expressed sincere condolences to his family.

On 21 June 2019, the Board announced that, with effect from 21 June 2019, Mr. Chau Chi Ho has been appointed as the deputy chairman of the Company.

The Board currently comprises a total of six Directors, with three executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Chau Chi Ho (Deputy Chairman) and Liu Dong Yang and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Mr. Chau Chi Ho is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship among members of the Board. More details of the Directors are disclosed on page 7 of this annual report. The Board has published and maintained on its website and on the Stock Exchange's website an updated list of the Directors identifying their role and function. The Board met regularly throughout the year ended 30 June 2019. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the company secretary of the Company (the "**Company Secretary**") to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder of the Company or Director, the approval of the interim and final results, other disclosures to the public or regulators and the internal control systems are reserved by the Board and the decisions relating to such matters shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Managing Director.

The roles of the Chairman and the Managing Director are not separate and the explanation in connection with such deviation from Code provision A.2.1 is set out in the section headed "Compliance with the Code Provisions" of this report. The Chairman is responsible for providing leadership to the Board, effective running of the Board, ensuring all appropriate issues are discussed by the Board in a timely manner and formulating business strategies. The Chairman has ensured that all Directors are properly briefed on issues arising at Board meetings and all Directors receive adequate, complete and reliable information.

The independent non-executive Directors were not appointed for a specific term and explanation in connection with such deviation from Code provision A.4.3 is set out in the section headed "Compliance with the Code Provisions" of this report.

During the year ended 30 June 2019, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board; one of the independent non-executive Directors is required to possess appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Each of Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming served as an independent non-executive Director for more than nine years and explanation in connection with such deviation from Code provision A.4.3 is set out in the section headed "Compliance with the Code Provisions" of this report.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

Appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group has been arranged by the Group.

BOARD OPERATION

During the year ended 30 June 2019, the Board held 14 Board meetings. The attendance records of each member of the Board at Board meetings and the attendance records of the respective members of the Board at the audit committee meetings, nomination committee meetings, remuneration committee meetings and the 2018 AGM are set out below:

	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	Board meetings	2018 AGM
Executive Directors					
Chau Lai Him	–	1	–	14	1
Zhou Jin Hua	–	–	–	11	1
Chau Chi Ho	–	–	–	13	1
Liu Dong Yang	–	–	–	12	–
Independent non-executive Directors					
Chung Kam Kwong	4	1	1	8	1
Lo Wai Ming	4	1	1	8	1
Lo Chao Ming	4	1	1	8	–

During the year ended 30 June 2019, the Company did not hold any special general meeting.

In place of physical meetings, the Board and Board committees also circulate written resolutions for approval by the relevant members of the Board and Board committees except for matters where a substantial shareholder or a Director has a conflict of interest which the Board has determined to be material in compliance with Code Provision A.1.7.

The Board having considered the attendance records of the Directors is satisfied that each Director spends sufficient time performing his responsibilities.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Under Code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

During the year ended 30 June 2019, all Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

	Attended Seminars or Briefing/Read Materials
Executive Directors	
Chau Lai Him	✓
Zhou Jin Hua	✓
Chau Chi Ho	✓
Liu Dong Yang	✓
Independent non-executive Directors	
Chung Kam Kwong	✓
Lo Wai Ming	✓
Lo Chao Ming	✓

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") currently comprises three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming and the chairman of the Remuneration Committee is Mr. Chung Kam Kwong. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and the making of recommendations to the Board in connection with the remuneration of the non-executive Directors. The Remuneration Committee should consider factors such as the salaries paid by comparable companies, employment conditions elsewhere in the Group and the desirability of performance-based remuneration. A copy of the terms of reference of the Remuneration Committee is available from the Company's website and the Stock Exchange's website. The Remuneration Committee shall meet at least once a year.

During the year ended 30 June 2019, the Remuneration Committee held one meeting and all committee members were present at the meeting. The Remuneration Committee has reviewed the remuneration packages of all executive Directors and senior management, assessed performance of executive Directors and senior management and made recommendations to the Board in connection with the remuneration of the non-executive Directors. Details of the emoluments of the Directors are set out in note 9 to the Financial Statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") currently comprises one executive Director, Mr. Chau Lai Him, and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. The chairman of the Nomination Committee is Mr. Chau Lai Him. The role and function of the Nomination Committee is to review the structure, size and composition of the Board, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with due regard to the board diversity policy, identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman/Managing Director and monitor the implementation of the board diversity policy and review such policy, as appropriate, to ensure its effectiveness. The Nomination Committee has established a specific written committee charter which deals clearly with its authority and duties. A copy of the terms of reference of the Nomination Committee is available from the Company's website and the Stock Exchange's website. The Nomination Committee shall meet at least once a year.

On 5 December 2018, the Board adopted the director nomination policy in compliance with the mandatory disclosure requirement L(d)(ii) of the Code (as contained in Appendix 14 of the Listing Rules and came into effect on 1 January 2019) pursuant to which the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report.

The nomination process is summarised, as follows:

(a) Appointment of new Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(b) Re-election of Director at general meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

During the year ended 30 June 2019, the Nomination Committee held one meeting and all committee members were present at the meeting. The Nomination Committee has determined the policy for the nomination of Directors, the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and senior management.

Pursuant to the Bye-laws of the Company, any Director appointed to fill a casual vacancy of the Board shall hold office only until the next following general meeting of the Company and any Director appointed as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Bye-laws. The Bye-laws also allow for removal of a Director by an ordinary resolution.

The Board recommended the re-appointment of the Directors standing for re-election at the 2019 AGM. The Company's circular to be despatched to the Shareholders will contain detailed information of the Directors standing for re-election.

SUMMARY OF THE BOARD DIVERSITY POLICY

On 5 December 2018, the Board adopted the new board diversity policy (the "**Board Diversity Policy**") in compliance with the Code Provision A.5.6 and the mandatory disclosure requirements L(d)(ii) of the Code as contained in Appendix 14 of the Listing Rules, which came into effect on 1 January 2019.

The Board Diversity Policy aims to set out the approach to achieve diversity on the Board and does not apply to diversity in relation to the employees of the Company, nor the board and the employees of any subsidiary of the Company. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, differences in the talents, skills, regional and industry experience, background, gender, age and other qualities of the members of the Board, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

AUDITOR'S REMUNERATION

During the year ended 30 June 2019, the remunerations paid and payable to the auditor of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services were HK$1,900,000 and HK$250,000 respectively.

AUDIT COMMITTEE

At least one of the members of the audit committee of the Company (the "**Audit Committee**") has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company. The Board expects the members of the Audit Committee to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the Audit Committee in order to comply with the requirement of the Code.

The Audit Committee of the Company currently comprises three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming, and the chairman of the Audit Committee is Mr. Chung Kam Kwong. The primary duties of the Audit Committee include the reviewing of the Group's financial reporting system, the nature and scope of audit review as well as the effectiveness of the system of internal control and risk management. The Audit Committee is also responsible for making recommendations in relation to the appointment, re-appointment and removal of the external auditor, and the reviewing and monitoring of the independence and objectivity of the external auditor. In addition, the Audit Committee discusses matters raised by the external auditor and regulatory bodies to ensure that appropriate recommendations are implemented. A copy of the terms of reference of the Audit Committee is available from the Company's website and the Stock Exchange's website. The Audit Committee shall meet at least twice a year.

On 5 December 2018, the Board adopted the revised terms of reference of the Audit Committee. The terms of reference were amended in accordance to the Code Provision C.3.2 (which came into effect on 1 January 2019), pursuant to which the cooling-off period for appointing a former member of the Company's auditors to be a member of the Audit Committee would be extended from 1 year to 2 years.

During the year ended 30 June 2019, the Audit Committee held 4 meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management and the external auditor, the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 30 June 2019 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 30 June 2019.

DIVIDEND POLICY

On 5 December 2018, the Board adopted the dividend policy (the "**Dividend Policy**") in compliance with the Code Provision E.1.5 in the Code as contained in Appendix 14 of the Listing Rules, which came into effect on 1 January 2019.

The Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value and does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Bye-Laws of the Company and all applicable laws and regulations and the following factors concerning the Group when considering the declaration and payment of dividends:

(a) financial results;

(b) cash flow situation;

(c) business conditions and strategies;

(d) future operations and earnings;

(e) capital requirements and expenditure plans;

(f) interests of shareholders;

(g) any restrictions on payment of dividends; and

(h) any other factors that the Board may consider relevant.

Furthermore, depending on the financial conditions of the Company and the Group and the conditions and factors set out above, dividends (including interim dividend, final dividend, special dividend and any distribution of net profits that the board may deem appropriate) may be proposed and/or declared by the Board for a financial year or period. Any final dividend for a financial year will be subject to shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

The Dividend Policy stated above will be subject to review by the Board from time to time.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy 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 on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(e) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

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

During the year ended 30 June 2019, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

SHARE INTERESTS OF SENIOR MANAGEMENT

On 20 March 2019, the Company resolved to grant share options (the "**Options**") to subscribe for a total of 162,260,000 shares to 7 directors of the Company and certain eligible persons under the Share Option Scheme.

Among the 162,260,000 Options granted as referred to the above, 10,800,000 Options were granted to certain members of the senior management of the Company and no Options was exercised during the year ended 30 June 2019.

Save for the Options granted, as at 30 June 2019, none of senior management of the Company (whose biographical details are disclosed on page 8 of this annual report) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INVESTOR RELATIONS

The Company maintains a website at www.1166hk.com where information and updates on the Company's business developments and operations, list of directors and their role and function, constitutional documents, terms of reference of the Board and its committees, procedures for nomination of directors for election, Shareholders' rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the year ended 30 June 2019.

COMPANY SECRETARY

The Company Secretary, Ms. Chan Kam Yee, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. She is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Managing Director, plays an essential role in the relationship between the Company and its Shareholders, and assists the Board in discharging its obligations to Shareholders pursuant to the Listing Rules.

During the year ended 30 June 2019, Ms. Chan has attended relevant professional seminars to update her skills and knowledge and has complied with the Listing Rules to take no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. These include interim and annual reports, announcements and circulars.

The general meetings of the Company are primary forum for communication between the Shareholders and the Board. The Group encourages its Shareholders to attend and participate in general meetings to ensure a high level of accountability and to keep Shareholders informed of the Group's strategy and goals. The Chairman of the Board, other Board members and the chairman of all the Board committees, or in their absence, other members of the respective committees, are available to answer any questions from the Shareholders.

PROCEDURES BY WHICH SHAREHOLDERS MAY CONVENE A SPECIAL GENERAL MEETING

Pursuant to the Bye-Laws of the Company, Shareholders holding at the date of 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 to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS AND DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their written requests, proposals, enquiries and concerns to the Company for the attention of Chairman of the Board or the Company Secretary whose contact details are:

Solartech International Holdings Limited
Unit 15, 18/F, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong
E-mail: enquiry@solartechhk.com
Tel no.: (852) 2796 1628
Fax no.: (852) 2799 9835

A copy of the Shareholders' communication policy of the Company is available from the Company's website.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board ensures the maintenance of sound and effective risk management and internal controls to safeguard the Shareholders' investment and the assets of the Company. It has been an important duty of the Directors to conduct a review of the effectiveness of the risk management and internal control systems of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, and risk management functions, and takes into account the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and the extent of risks for achieving the Group's strategic objectives and has the overall responsibilities for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Company also has an internal audit function to assist the Audit Committee and the senior management to carry out analysis and independent appraisal of the adequacy and effectiveness of the systems periodically.

During the year ended 30 June 2019, the Company engaged an external independent consultant to conduct a review on the effectiveness of the risk management and internal control systems over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and effectiveness of financial reporting and compliance with the Listing Rules. The Board considered that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate. The Board has reached the conclusion that the Group's risk management and internal control systems were adequate and effective.

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Company has prepared its Environmental, Social and Governance Report ("**ESG Report**") for the year ended 30 June 2019 in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

The ESG Report of the Company for the year ended 30 June 2019 is set out on pages 39 to 48 of this annual report.

GENERAL

The Directors acknowledge their responsibility in preparing the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Company and in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 30 June 2019, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 49 and 54 of this annual report.

On behalf of the Board

Chau Lai Him
Chairman

27 September 2019

OVERVIEW

(I) Purpose

In accordance with the requirements of The Stock Exchange of Hong Kong Limited ("**HKEx**"), listed companies are required to provide an Environmental, Social and Governance Report ("**ESG Report**"). This report introduces and updates the Group's vision, policies and management controls, and reports our performance, regarding environmental and social issues, for both internal and external stakeholders.

(II) Scope of Report

The Group has a number of different and diversified business segments including electric cable and wire manufacturing and trading, trading of copper rods and wires, financial and securities trading, property investment and advertising. Each business segment of the Group has a different impact on the environment in terms of use of resources and emissions. For the purpose of this report, only the activities and operations of the two major revenue generating segments are considered to have materiality and significance:

(i) Manufacturing and trading of cables and wires which are predominantly sold to white-goods appliance manufacturers; and

(ii) Manufacturing and trading of copper rods and copper wires and their related products which are primarily used in the production of electrics wires and cables for household appliances, electronic products and power supply in infrastructure facilities.

(III) Basis of Preparation

This is our third ESG Report and is compiled in accordance with the ESG Reporting Guide outlined in Appendix 27 – Environmental, Social and Governance ("**ESG**") Reporting Guide of the Rules Governing the Listing of Securities on HKEx ("**Appendix 27**" or "**ESG Reporting Guide**"). The content of this report includes two main subject areas as outlined and required by the Guide, being area A – environmental and area B – social.

This report, which has been reviewed and approved by the board of the company (the "**Board**"), both reviews and reports the core business operations of the Group and follows the principles of materiality, quantification, balance and consistency to disclose relevant statistics and information.

(IV) Reporting Period

This report is for the period from 1 July 2018 to 30 June 2019 (the "**Reporting Period**").

(V) Corporate Goals and Visions

The Group's vision is to be leading manufacturer and high quality provider of electric cables and wire and copper rods and wires both in the PRC and worldwide. We are committed to providing these products with a reasonable return on investments to our shareholders, whilst being a socially and environmentally responsible company and providing a safe, healthy and pleasant working environment to our employees.

(VI) ESG Management

Our ESG strategies, management policy and approach are based on compliance with relevant legal and regulatory requirements, the principle of sustainability and opinions from our key stakeholders. The Group's visions and goals, and the ESG management policy and approach can be summarized in the following statements.

1. The Group is committed to be successful in all our businesses, bringing returns to our investors and supporters, providing a healthy and safe working environment to our employees and helping to provide sustainable developments of the local communities and the Group.

2. The Board from time to time approves and updates strategies and policies which are incorporated with the related environmental and social issues contained in the ESG Reporting Guide. The Board has assigned each subsidiary to implement ESG policies in accordance with the respective operations and activities. Through their normal and routine channels, all subsidiaries report directly to the Group's Managing Director, who has the overall responsibility to ensure that the Board's approved strategies and polices are implemented. The subsidiaries are responsible for exploring and developing Key Performance Indicators ("KPIs") where appropriate and necessary in accordance with the Group's policies and goals.

3. It is the duty of the Group's Managing Director and the management team to examine and address all the environmental and social issues detailed in the aspects and areas in the ESG Reporting Guide.

Overall, the Group takes an active role in ensuring a sustainable and environmentally-friendly productions and operations by employing various measures which are compliant with relevant laws, operating practices and standards. The Group continues to uphold our established environmental protection and management system. The adoption and application of the Quality Management System (ISO 9001:2000) which the Group has certified since 2003 have proven to be effective in ESG management.

A. ENVIRONMENTAL ASPECT

A1: Emissions

The Group advocates the importance of sustainable development in relation to our ongoing business operations and has employed various measures. All of our staff are made aware of their respective roles and responsibilities in conserving energy and natural resources.

The Group has been issued with Pollutant Discharge Licence of Guangdong Province (Licence No. 4419602016000053) which was subsequently renewed after its expiry on 10 November 2017. Meanwhile, the Group also actively assumes social responsibilities to reduce pollution through installation of new production equipment.

During the Reporting Period, the Group was not subject to any confirmed cases for breaching environmental legislations in relation to emissions and waste discharge or other environmental issues that could have an adverse impact on the local environment.

Greenhouse Gas Emissions

Indirect emission through the use of electricity for our production remains to be the main source of gas emissions. During the Reporting Period, the Group's gas emissions mainly came from the electric cable manufacturing business in which greenhouse gas, namely carbon dioxide (CO_2), was generated from the use of electrically powered plastic extruding and injection machines.

For our copper rod and wire business, the recycling of such materials produces greenhouse gas emissions, namely nitrogen oxides (NO_x), sulphur oxides (SO_x) and carbon dioxide (CO_2). These gases are captured and treated in a capsulated collecting system before being discharged through an exhaust stack of 20m in height. As the copper scrap and wire recycling business was not in operation during the Reporting Period, there was no direct emission of nitrogen oxides (NO_x), sulphur oxides (SO_x) and carbon dioxide (CO_2) generated accordingly. Emission data and the relevant KPIs will be re-examined upon resumption of the copper scrap and wire recycling part of our business.

As a result of the energy saving measures implemented, there was a further reduction in the emissions during the Reporting Period compared with last year. For the year ended 30 June 2019, electricity consumption from the electric cable and wire manufacturing amounted to 3,606,818 kWh (2018: 5,230,150 kWh). The indirect greenhouse gas – CO_2 emission generated in the Reporting Period was 3,596 tonnes (2018: 5,214 tonnes), which was 1,618 tonnes or 31.03% less than last year.

As a result of the energy saving measures implemented and the suspension of the copper scrap and wire recycling business, there was a substantial reduction in the emissions during the Reporting Period compared with last year. The emission quantities generated from the factories operations during the Reporting Period are tabulated below:

Direct Emission (as a result of gas consumption)

During the Reporting Period we did not produce any direct gas emissions.

(i) Sulphur oxides (SO_x) – 0 tonnes

(ii) Nitrogen oxides (NO_x) – 0 tonnes

(iii) Carbon dioxide (CO_2) – 0 tonnes

Indirect Emission

During the Reporting Period, we produced a total of 3,596 tonnes of indirect emissions of carbon dioxide (CO_2) as a result of our electricity consumption. This was a reduction of 31.03% from the previous 2018 reporting period. The Group will continue to ensure that the electricity consumption of the production plants is under stringent control. Controlling measures formulated previously have been effective and will continue to be reviewed and updated in various production meetings.

Water Consumption

Cooling water used in our manufacturing processes is the main source of the Group's waste water. By adopting a close circulating system, most of the cooling water will be reused with minimal wastage. Water is also used for general purposes in employees' dormitories, canteens and offices. Our employees are constantly reminded to use water efficiently and to avoid unnecessary wastage.

Local city municipal supply is the only viable water source available to the Group as far as our production processes and household uses are concerned. All waste water discharge is connected to the municipal systems with proper authorization.

During the Reporting Period, a total of 105,062 m^3 (2018: 85,751 m^3) of water was consumed, representing an increase of 19,311 m^3 or 22.5% over the last year. This was mainly due to an increase in production of the cable and wire business segment which uses comparatively more water than our production of copper rods and copper wires business segment.

Hazardous and Non-Hazardous Wastes

The Group has developed a natural and pollution-free philosophy in its business where possible and has adopted the 3-R principle – to reduce, reuse and recycle. All employees are constantly reminded to adopt the 3-R principle in their handling and using the resources.

Consideration is given to recycle and reuse in the various processes and stages of production. Procedures are in place for properly sorting out and storing the unused materials for resale or reuse. For example, copper is a major raw material input in our business and copper wire bits have a very strong resale value in the market so all copper cable wastes generated as a result of the manufacturing processes are stored up for resale.

The amount of hazardous wastes generated from our manufacturing operations is insignificant and poses no material impact to the environment.

Non-hazardous wastes are generated from both production operations and non-production operations. Non-hazardous wastes generated from the production processes are mainly packaging materials – wood and paper used in our manufacturing operations. An insignificant amount of non-hazardous materials are also generated from non-production areas such as supporting offices, dormitories and canteens. All such wastes are collected and disposed of by external waste collectors.

During the Reporting Period, the Group did not have any violation related to hazardous or non-hazardous wastes issues.

A2: Use of Resources

Policy on Efficient Use of Energy

The Group aims to promote the saving of resources and has implemented various energy and water saving measures in order to improve the resources saving performance and achieve operational optimization while complying with the Law of the People's Republic of China on Energy Conservation. We have implemented guidelines and instructions on the efficient use of resources for office administration, factory production and general living of our employees.

To save energy which also saves costs, we have invested in energy saving tools such as LED lights and control meters. The Group has promulgated rules and encouraged employees to use resources efficiently and environmentally friendly:

- Lights and equipment must be turned off if not in use;
- Maintaining work environments at pre-determined and energy efficient temperatures; and
- Encouraging the use of natural ventilation instead of air-conditioning whenever the conditions allow.

For water, the main consumption comes from the domestic dormitory use of the resident workers. The Group again requests the employees to use resources smartly and be responsible. Inspectors have been assigned to ensure no unwarranted use and waste. In addition, as a mean to monitor, special meters have been installed to record the water usage pattern. The Group is also exploring the possibility of installing solar panel systems for providing hot water for domestic use.

For packaging paper and plastic raw materials, the Group has required the use of recycled papers and plastic wraps. Any scraps will be collected and sold as scrap materials to recycling and waste operators.

In our offices and factories, the Group has further encouraged the office staff and factory workers to reduce paper consumption as much as possible through the use of electronic tools such as emails, messages and universal serial bus (USB) storage to replace paper files, sketches and letters; to print paper on both sides, and to use only recycled paper.

A3: Environment and Natural Resources

As a responsible corporation, the Group is committed to conserving resources in order to reduce its impact on the environment as well as saving operational costs. We cooperate with the local government agencies and support environmental organizations' activities to build a "green" society. The Group has also implemented green purchasing practices and best practice technologies to conserve natural resources where applicable.

During the Reporting Period, fresh water and electricity for normal production operation were the only key elements considered to have an impact on the natural resource environment. We will continue to support all measures to reduce, reuse and recycle as laid down in our Employee Handbook. The Group will continue to explore new avenues and means to accomplish our goals of conserving natural resources and protecting the environment.

B. SOCIAL ASPECT

B1: Employment

The Group treasures and regards our employees as valuable assets for our sustained development and growth. It is our policy to strictly comply with all the relevant statutory requirements in the Labor Law of the PRC. The Group operates at all times in strict compliance with the Labour Law of the PRC, the Labour Contract Law of the PRC and other applicable laws and regulations in the PRC, and the Hong Kong Employment Ordinance.

The Human Resources Department is responsible for the employment and the relevant policies, which are clearly laid out in our Employee Handbook, including but not limited to, appointment, termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissals, health, general safety and other benefits and welfares.

The Group is committed to providing employees with equal opportunity on recruitment, promotion, compensation and benefits as specified in the relevant statutory provisions. To ensure a fair and rational human resources structure, the Group has established job qualifications and requirements specific to each job position in the local offices. They are taken as criteria for recruitment, promotion and transfer. The recruitment and decision making processes involve both the relevant operational levels and the Human Resources Department. All employments are entered into a proper and standard contract between the Group and the employees as required by law. Employment of child labor and forced labor is strictly forbidden.

In accordance with the requirements of the national laws of the PRC and local laws of Hong Kong, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays.

The Group has a stable workforce. For the year ended 30 June 2019, the Group had a total number of 456 employees, a slight reduction from 469 in 2018. All of our employees were on full time basis comprising 197 male (2018: 204) and 259 female (2018: 265) employees. 40, 160, 211, 41 and 4 of our employees were aged below 30, 31 to 40, 41 to 50, 51 to 60 and over 60 respectively. The low employee turnover rate evidences that our employment policies and measures are fair and reasonable, and no labor disputes were recorded both internally and externally during the Reporting Periods.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

B2: Health and Safety

Given the nature of the Group's business in metal products related manufacturing, and being a responsible employer, the Group considers the health and safety of employees our primary concern. Specific safety rules, instructions and procedures for safe operation of plants and process operations and employee safety are detailed in our Employee Handbook. The safety office is responsible for the work safety and has composed a safety manual which contains the relevant safety codes, regulations and standards applicable to the factory operations.

All employees are required to strictly observe the health and safety policies, instructions and guidance and to follow the same at work and to place safety as their priority over production. Managers and supervisors are charged with the responsibility of ensuring that safety policies, rules and practices are observed. The Group has also taken out the required insurance for all employees in accordance with the statutory requirements of their employment locations.

The Group has equipped its factory operations with all the required safety equipment and facilities. There was no adverse comment by the law enforcing authorities during their inspections and no prosecution case was reported during the Reporting period, same as last year.

In-house rules require all injuries or accidents to be promptly reported and properly dealt with in accordance with the national or local laws. In parallel remedial or compensatory actions arising from safety and health issues or work injuries are required to be taken immediately where necessary as stipulated by the in-house rules. The Group did not have any record on any claim disputes on compensation or work related injury investigation by the government officials during the Reporting Period, same as last year.

During the Reporting Period, there were only 2 light injury cases of bruise and no serious injuries, or incidents of non-compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards which could have significant impact on the production operations or businesses of the Group. The injuries had been well taken care immediately after their occurrence, and there were no disputes or claims arouse thereafter. Our low injury rate shows that our health and safety policies and measures and our continued high level of training have been effective.

B3: Development and Training

Employees are encouraged to engage in self-development by taking external training programs and seminars.

During the Reporting Period, a total of 459 (2018: 368) employees representing 100% of our total work force during the period including workers who have left, undertook a total of 2,622 (2018: 2,553) training hours in various programs, of those employees, 199 (2018: 206) were male and 260 (2018: 266) were female employees of all levels.

B4: Labor Standards

The Group adopts the statutory requirements and standards applicable to our business operations to be our minimum labor standard on labor protection and welfare. The Group is committed to ensuring its full compliance and all management and supervisory levels are made aware of this.

Banning the employment of child labor, illegal workers and forced labor is achieved through the recruitment and employment process at source by the Human Resources Department. All job applicants are required to submit their credentials such as academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment. Such information is kept as the employee's personal file for record and future reference and government inspection.

The Human Resources Department are charged with the duty of overseeing labor compliance. Heads of the business companies are also responsible for ensuring that all labor protection and welfare obligations of their operations are complied with and any breaches of statutory compliance are brought to the attention of the senior levels.

During the Reporting period, same as last year, no case of any child labor or forced labor employment was reported or detected.

B5: Supply Chain Management

Same as before, the Group continues to implement a very detailed supply and purchase management system adopting different approval authorities at different hierarchy levels of the management team. The Purchase Manager, Finance Director and Chief Executive Officer form the execution and supervision purchase chain at different monetary levels. Each level is accountable to the one above on their monetary limits they are authorized to purchase. Purchasers are required not to place an order when the authorization cannot meet its designated level. The approving level is required to ensure that requests for purchase are in order before authorizing.

All purchases of the Group in principle follow the established prevalent trade practice and industry norms under which three tenderers or more will be invited for tender depending on various factors like contract value, amount involved, any other technicality and time constraints. All purchase transactions are subject to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks. All capital expenditure purchases have to be authorized and approved by the Hong Kong Headquarters.

Fit for purpose, timeliness, quantity and quality are the major selection criteria for both local and overseas suppliers. Carbon footprint and engagement with the local community will also be considered in our selection process.

During the Reporting Period, owing to the special nature of our raw materials – copper sheets and wires, the Group had about 15% (2018: 15%) and 12.2% (2018: 34%) supplies, in terms of number of total suppliers and the total value of supplies, sourced from overseas respectively. The figures are substantially lower when compared to last year due to the availability and increased sourcing of competitive products in China.

B6: Product Responsibilities

Product Quality

We are committed to providing high quality end products as we believe that the quality and consistency of our products are critical to our ability to retain our customers and to expand market shares. The Quality Management System (ISO 9001:2000) which the group has been certified since 2003 ensures that our products pass through strict quality control processes and meet with recognised quality standards. The Group is also committed to investing in plant and equipment for high end production technology and quality to maintain our competitive edge. We also foster close relationships with our business peers to keep abreast of the latest product development and knowledge.

During the Reporting Period, our cable wire sales accounted for only a minute amount of the Group's total sales.

Handling of Complaints

Policies and procedures are in place to ensure that all customer complaints or concerns are addressed to at the appropriate levels in a timely manner. In our sales contracts, there are clear clauses specifying our responsibilities under quality issues. The Sales Department is responsible for handling all sales complaint issues. Standing arrangements are also in place for an independent third party to adjudicate on any unresolved disputes between the Sales Department and the client. Consequential remedial actions will be taken promptly and in a responsible manner.

Intellectual Property Right

The Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operating status and financial positions, commercial terms of contracts, general background information, etc. These types of information are extremely sensitive and important, and by law, have to be cautiously safeguarded and protected. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures. Our employees have been trained to handle the sensitive information during the course of business with due care. The Group has incorporated the Confidential Clause into the Staff Handbook and Employment Contract, under which all employees are obligated to follow.

The Group received no complaint on any breach of privacy or leakage of information, same as last year, during the Reporting Period.

Privacy

The Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operation status and financial positions, commercial terms of contracts, general background information, etc. These types of information are extremely sensitive and important, and by law, have to be cautiously safeguarded and protected. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures.

The Group fully abides by the Personal and Private Data Ordinance. Our employees have been trained to handle the sensitive information during the course of business with due care. The Group has incorporated the Confidential Clause into the Staff Handbook and Employment Contract, under which all employees are obligated to follow.

During the Reporting Period, the Group did not record any incidents of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters.

B7: Anti-corruption

The Group is well aware of the importance of honesty, integrity and fairness in our business operations and has therefore put in place an anti-corruption policy. All employees are required to declare any conflicts of interests in the execution of their roles and duties. Through the establishment of these rules and regulations, the Group encourages all employees to discharge their duties with integrity and comply with the relevant laws and regulations.

Transactions in large monetary sums are processed through bank transactions which require authorized signatories of the appropriate levels depending on the amount involved. Checks and balances have been installed in the Group for money transaction activities and are considered effective and adequate.

Same as last year, the Group recorded no bribery nor corruption charges during the Reporting Period.

B8: Community Investment

The Group fully understands our social obligations and the need for re-contributing to the society. Through the day-to-day contact with various local government officials and industry leaders, the Group continues to explore and examine what and how the Group can contribute more and in a better way to the local community and society.

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To the Shareholders of Solartech International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Solartech International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 55 to 158, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment of intangible asset – mining right

Refer to Note 18 to the consolidated financial statements.

Key Audit Matter

As at 30 June 2019, the carrying value of the Group's mining right included in intangible assets, before impairment, amounted to HK$553,225,000. There was a further delay in the Group's mining plan in the current year which indicates there may be a need for a write-down of the carrying amount of the Group's mining right.

Following a detailed impairment review of the Group's cash-generating unit ("**CGU**") related to the mining right (the "**Mining CGU**"), management has estimated that an additional impairment loss on mining right of HK$96,502,000 for the year ended 30 June 2019.

This conclusion was based on a fair-value-less-costs-of-disposal basis that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Evaluating and checking the composition of the Group's future cash flow forecast in the Mining CGU, and the process by it was drawn up, including testing the underlying fair-value-less-costs-of-disposal calculation and comparing it to the latest production plan and approved budget;

(ii) Checking the key assumptions included in the calculations, comparing the current year actual results with last year's forecast; and

(iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the calculation.

Impairment of interests in associates and interests in joint ventures

Refer to Note 22 and Note 23 in the consolidated financial statements.

Key Audit Matter

As at 30 June 2019, the carrying values of the Group's interests in associates and joint ventures, before impairment, amounted to HK$80,101,000 and HK$32,770,000 respectively. The Group is exposed to risk of impairment of its equity accounted associates and joint ventures.

Following the detailed impairment reviews of the Group's cash-generating units ("**CGUs**") related to the associates and joint ventures, the recoverable amounts exceeded the carrying amounts of the respective CGUs. Accordingly, management has concluded that there were impairment losses on interests in associates and joint ventures of HK$27,863,000 and HK$16,363,000 respectively.

This conclusion was based on value-in-use calculation that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the models.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Evaluating the reasonableness of management's assumptions and estimates used in determining the recoverable amounts of the CGUs related to the associates and joint ventures. We have benchmarked these assumptions against external data and assessed them based on our knowledge of the Group and the industry;

(ii) Checking the key assumptions included in the calculations, comparing the current year actual results with last year's forecasts; and

(iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the calculations.

Impairment assessment of property, plant and equipment

Refer to Note 15 in the consolidated financial statements.

Key Audit Matter

As at 30 June 2019, the carrying value of the Group's property, plant and equipment, before impairment assessment, amounted to HK$58,543,000. The Group sustained a loss for the current year and accordingly management considered that there were indicators of impairment of the Group's property, plant and equipment.

Following a detailed impairment review of the Group's CGUs, management has estimated that no impairment loss in respect of the Group's property, plant and equipment is necessary.

This conclusion was based on a value-in-use and/or fair-value-less-costs-of-disposal models, where appropriate, that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) Evaluating and checking the composition of the Group's future cash flow forecasts in CGUs, and the posses by which they were drawn up, including testing the underlying value-in-use and/or fair-value-less-costs-of-disposal calculations and comparing them to the latest approved budgets;

(ii) Checking the key assumptions including by comparing the current year actual results with 2019 figures included in the prior year forecast, by reference to future plans and by performing independent market analysis; and

(iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the valuation.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), Corporate Information, Directors and Senior Management, Directors' Report, Corporate Governance Report, Environmental, Social and Governance Report and Financial Summary, which we obtained prior to the date of this auditor's report, and Chairman's Statement and Particulars of Properties, which are expected to be made available to us shortly after that date.

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.

When we read the Chairman's Statement and Particulars of Properties if we conclude that there is a material misstatement therein, we are required to communicate the matter to audit committee of the Company (the "**Audit Committee**") and take appropriate action considering our legal rights and obligations.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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 the terms of our 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.

- 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 the Audit Committee 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 the Audit Committee 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 the directors, 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.

BDO Limited
Certified Public Accountants

Chan Tsz Hung
Practising Certificate Number: P06693

Hong Kong, 27 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 HK$'000	2018 HK$'000
Turnover	6 and 7	**317,134**	395,380
Cost of sales		**(285,513)**	(357,583)
Gross profit		**31,621**	37,797
Interest income		**13,263**	8,033
Other income and gains	12	**10,952**	14,326
General and administrative expenses		**(138,041)**	(95,185)
Selling and distribution expenses		**(6,966)**	(8,614)
Finance costs	10	**(13,449)**	(10,296)
Change in fair value of derivative financial instruments, net	28	**(1,132)**	738
Change in fair value of investment properties, net	16	**41,618**	37,540
Change in fair value and gain or loss on disposal of financial assets at fair value through profit or loss, net	27	**(32,085)**	7,387
Change in fair value of profit guarantee	8	**–**	(5,880)
Expected credit loss/impairment loss for doubtful debts, net	25	**(3,725)**	(2,475)
Impairment loss on intangible assets	18	**(143,351)**	(23,952)
Impairment loss on property, plant and equipment	15	**–**	(7,122)
Impairment loss on interests in associates	22	**(27,863)**	(42,519)
(Impairment loss)/reversal of impairment loss on interests in joint ventures	23	**(16,363)**	2,734
Loss on disposal of subsidiaries	31	**–**	(1,236)
Share of results of associates	22	**(11,608)**	8,626
Share of results of joint ventures	23	**(162)**	(209)
Loss before taxation	8	**(297,291)**	(80,307)
Taxation	11	**(5,545)**	(5,368)
Loss for the year		**(302,836)**	(85,675)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**9,471**	(3,625)
Share of other comprehensive income of associates	22	**(1,369)**	534
Share of other comprehensive income of joint ventures	23	**141**	82
Reclassification adjustment on exchange differences for a foreign operation disposed of during the year		**–**	13,965
Other comprehensive income for the year		**8,243**	10,956
Total comprehensive income for the year		**(294,593)**	(74,719)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	**2019**	2018
		HK$'000	HK$'000
Loss attributable to:			
Owners of the Company		**(301,963)**	(85,639)
Non-controlling interests		**(873)**	(36)
		(302,836)	(85,675)
Total comprehensive income attributable to:			
Owners of the Company		**(294,089)**	(74,426)
Non-controlling interests		**(504)**	(293)
		(294,593)	(74,719)
Loss per share:	14		
– Basic and diluted (HK$)		**(0.127)**	(0.036)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**58,543**	80,318
Prepayment for acquisition of property, plant and equipment	19	**34,134**	–
Investment properties	16	**321,160**	303,146
Prepaid lease payments for land	17	**100,354**	107,552
Intangible assets	18	**456,723**	600,275
Other assets	20	**200**	200
Interests in associates	22	**52,238**	79,311
Interests in joint ventures	23	**16,407**	32,791
Total non-current assets		**1,039,759**	1,203,593
Current assets			
Inventories	24	**22,685**	31,657
Debtors, other loans and receivables, deposits and prepayments	25	**229,449**	237,968
Bills receivable	26	**4,261**	14,310
Financial assets at fair value through profit or loss	27	**26,699**	59,522
Derivative financial assets	28	**24**	–
Prepaid lease payments for land	17	**2,853**	2,974
Pledged bank deposits	29	**2,274**	11,851
Bank balances held on behalf of brokerage clients	30	**46**	5,147
Bank balances and cash	30	**59,992**	87,065
		348,283	450,494
Assets classified as held for sale	49	**13,119**	–
Total current assets		**361,402**	450,494
Current liabilities			
Creditors, other advances and accrued charges	32	**61,399**	77,514
Derivative financial liabilities	28	**–**	67
Borrowings	33	**158,090**	126,141
Taxation		**72**	92
Total current liabilities		**219,561**	203,814
Net current assets		**141,841**	246,680
Total assets less current liabilities		**1,181,600**	1,450,273

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Promissory notes	34	**14,004**	–
Deferred tax liabilities	35	**53,575**	50,245
Total non-current liabilities		**67,579**	50,245
Total net assets		**1,114,021**	1,400,028
EQUITY			
Capital and reserves			
Share capital	36	**23,745**	23,650
Reserves		**1,098,499**	1,385,056
Equity attributable to owners of the Company		**1,122,244**	1,408,706
Non-controlling interests	40	**(8,223)**	(8,678)
Total equity		**1,114,021**	1,400,028

The consolidated financial statements on pages 55 to 158 were approved and authorised for issue by the Board of Directors on 27 September 2019 and are signed on its behalf by:

Chau Lai Him
DIRECTOR

Chau Chi Ho
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital HK$'000 (Note 36)	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000 (Note 37)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2017	23,512	1,816,745	612,360	(15,486)	4,866	66,475	17,919	(1,048,147)	1,478,244	(8,384)	1,469,860
Loss for the year	–	–	–	–	–	–	–	(85,639)	(85,639)	(36)	(85,675)
Exchange difference on translation of foreign operations	–	–	–	(3,368)	–	–	–	–	(3,368)	(257)	(3,625)
Share of other comprehensive income of associates	–	–	–	534	–	–	–	–	534	–	534
Share of other comprehensive income of joint ventures	–	–	–	82	–	–	–	–	82	–	82
Reclassification adjustment on exchange differences for a foreign operation disposal of during the year (Note 31)	–	–	–	13,965	–	–	–	–	13,965	–	13,965
Total comprehensive income for the year	–	–	–	11,213	–	–	–	(85,639)	(74,426)	(293)	(74,719)
Exercise of share options	138	6,878	–	–	–	–	(2,128)	–	4,888	–	4,888
Forfeiture of share options	–	–	–	–	–	–	(2,284)	2,284	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(1)	(1)
At 30 June 2018	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,131,502)	1,408,706	(8,678)	1,400,028

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital HK$'000 (Note 36)	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000 (Note 37)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2018 as originally presented (audited)	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,131,502)	1,408,706	(8,678)	1,400,028
Initial application of HKFRS 9 (Note 2)	–	–	–	–	–	–	–	(4,650)	(4,650)	–	(4,650)
At 1 July 2018 as restated	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,136,152)	1,404,056	(8,678)	1,395,378
Loss for the year	–	–	–	–	–	–	–	(301,963)	(301,963)	(873)	(302,836)
Exchange difference on translation of foreign operations	–	–	–	9,102	–	–	–	–	9,102	369	9,471
Share of other comprehensive income of associates	–	–	–	(1,369)	–	–	–	–	(1,369)	–	(1,369)
Share of other comprehensive income of joint ventures	–	–	–	141	–	–	–	–	141	–	141
Total comprehensive income for the year	–	–	–	7,874	–	–	–	(301,963)	(294,089)	(504)	(294,593)
Share-based payment by granting share options	–	–	–	–	–	–	8,414	–	8,414	–	8,414
Exercise of share options	95	4,809	–	–	–	–	(1,532)	–	3,372	–	3,372
Lapse of share options	–	–	–	–	–	–	(11,975)	11,975	–	–	–
Transfer to statutory reserve	–	–	–	–	12	–	–	(12)	–	–	–
Changes in non-controlling interests without change in control	–	–	–	–	–	–	–	491	491	959	1,450
At 30 June 2019	23,745	1,828,432	612,360	3,601	4,878	66,475	8,414	(1,425,661)	1,122,244	(8,223)	1,114,021

Notes:

The contributed surplus represented (i) the net balance after setting off accumulated losses of the Company from reduced share capital and cancelled share premium of the Company where applicable in accordance with the Company's capital reorganisations in September 2002 and November 2012; and (ii) the credit arising from the capital reduction in accordance with the Company's capital reorganisation in July 2009.

The exchange reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations and share of reserves of associate.

The statutory reserve fund of the Group represents reserve required by the relevant People's Republic of China (the "**PRC**") laws applicable to the Company's PRC subsidiaries and share of statutory reserve fund of joint ventures.

The property revaluation reserve represents the gains arising on the revaluation of properties (other than investment properties) on the date of transfer from property, plant and equipment and prepaid lease payments for land to investment properties.

Share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, net of issuing expenses in accordance with the accounting policy set out in Note 3.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before taxation		**(297,291)**	(80,307)
Adjustments for:			
Interest income		**(13,263)**	(8,033)
Finance costs	10	**13,449**	10,296
Depreciation of property, plant and equipment	15	**14,597**	17,350
Amortisation of prepaid lease payments for land	17	**2,885**	2,711
Share-based payment expenses	8	**8,414**	–
Change in fair value of derivative financial instruments, net	28	**1,132**	(738)
Change in fair value of investment properties, net	16	**(41,618)**	(37,540)
Change in fair value and loss or (gain) on disposal of financial assets at fair value through profit or loss, net	27	**32,085**	(7,387)
Change in fair value of profit guarantee	8	**–**	5,880
Expected credit loss/impairment loss for doubtful debts, net	25	**3,725**	2,475
Impairment loss on property, plant and equipment	15	**–**	7,122
Impairment loss on intangible assets	18	**143,351**	23,952
Impairment loss on interests in associates	22	**27,863**	42,519
Impairment loss on interests in joint ventures	23	**16,363**	(2,734)
(Reversal of write-down)/write-down of inventories	24	**(1,324)**	2,135
Loss on disposal of subsidiaries	31	**–**	1,236
(Gain)/loss on disposal of property, plant and equipment	8	**(6,360)**	115
Share of results of associates	22	**11,608**	(8,626)
Share of results of joint ventures	23	**162**	209
Operating loss before working capital changes		**(84,222)**	(29,365)
Decrease/(increase) in inventories		**10,296**	(7,585)
Increase in debtors, other loans and receivables, deposits and prepayments		**144**	(39,931)
Decrease/(increase) in bills receivable		**10,049**	(1,803)
Decrease in bank balances held on behalf of brokerage clients		**5,101**	5,000
Proceeds from disposal of financial assets at fair value through profit or loss		**738**	2,800
(Decrease)/increase in creditors, other advances and accrued charges		**(15,610)**	6,469
(Decrease)/increase in derivative financial instruments		**(1,223)**	729
Cash used in operations		**(74,727)**	(63,686)
Income tax paid		**(273)**	(519)
Net cash used in operating activities		**(75,000)**	(64,205)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 HK$'000	2018 HK$'000
Investing activities			
Interest received		**13,263**	8,033
Purchases of property, plant and equipment and prepayments for acquisition of property, plant and equipment		**(37,048)**	(3,553)
Addition of prepaid lease payments for land		**–**	(32,867)
Proceeds from disposal of property, plant and equipment		**13,559**	143
Proceeds from disposal of prepaid lease payments for land		**62**	–
Proceeds from disposal and deemed disposal of a subsidiaries	31	**1,450**	138,485
Decrease/(increase) in pledged deposits and bank balances		**9,577**	(11,851)
Net cash generated from investing activities		**863**	98,390
Financing activities			
Interest paid on borrowings		**(13,647)**	(8,006)
Net proceeds from issue of new shares	36	**3,372**	4,888
Redemption of promissory notes	34	**–**	(23,000)
Interest paid on promissory notes	34	**–**	(2,728)
Proceeds from other loans		**40,000**	10,000
New bank loans raised		**109,283**	165,315
Repayment of bank loans		**(112,734)**	(149,670)
Net cash generated from/(used in) financing activities		**26,274**	(3,201)
Net (decrease)/increase in cash and cash equivalents		**(47,863)**	30,984
Cash and cash equivalents at beginning of the year		**87,065**	67,985
Effect of foreign exchange rate changes		**20,790**	(11,904)
Cash and cash equivalents at end of the year		**59,992**	87,065
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**59,992**	87,065

1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, trading of metallurgical grade bauxite, investment properties, trading of securities, provision of financing and management service and holding of mining right. Its associates are engaged in advertising and media services, branding and marketing services, corporate image and strategy services and innovating strategy services in the PRC. Its joint ventures are engaged in holding of mining permits. Further details are set out in Notes 21, 22 and 23. The Company, together with its subsidiaries, associates and joint ventures are collectively referred to as the "Group".

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except as explained below, the adoption of these amendments has no material impact on the Group's consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018 (continued)

HKFRS 9 – Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment and (iii) hedge accounting. The adoption of HKFRS 9 from 1 July 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

The following tables summarised the impact of transition to HKFRS 9 on the opening balances of accumulated losses as at 1 July 2018:

	HK$'000
Accumulated losses	
Accumulated losses as at 30 June 2018	(1,131,502)
Recognition of expected credit losses ("**ECLs**") on debtors, other loans and receivables and deposits	(4,650)
Restated accumulated losses as at 1 July 2018	(1,136,152)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("**FVTPL**"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018 (continued)

HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised cost**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

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

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

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

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018 (continued)

HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

The following accounting policies would be applied to the Group's financial assets:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVTPL	Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018.

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 July 2018 under HKAS 39 HK$'000	Carrying amount as at 1 July 2018 under HKFRS 9 HK$'000
Debtors, other loans and receivables and deposits	Loans and receivables	Amortised cost	229,804	225,154
Bills receivables	Loans and receivables	Amortised cost	14,310	14,310
Pledged bank deposits	Loans and receivables	Amortised cost	11,851	11,851
Bank balances and cash	Loans and receivables	Amortised cost	92,212	92,212
Equity investments	FVTPL	FVTPL	59,522	59,522

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018 (continued)

HKFRS 9 – Financial Instruments (continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECLs for debtors and other financial assets at amortised cost earlier than HKAS 39. Bank balances and cash, pledged bank deposits and bills receivables are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; or (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for debtors using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018 (continued)

HKFRS 9 – Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, depending on credit worth of customers.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of debtors

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all debtors. To measure the ECLs, debtors have been grouped based on shared credit risk characteristics and the number of days past due.

Applying the ECL model results in the recognition of ECLs for debtors of HK$550,000 on 1 July 2018 and net reversal of impairment of HK$6,875,000 for the year ended 30 June 2019 respectively.

(b) Impairment of other loans and receivables and deposits

Other financial assets at amortised cost of the Group includes other loans and receivables and deposits. The Group applies the 3-stage approach (i.e. the general approach as detailed in Note 5(a)(ii)) to measure ECLs for other loans and receivables and deposits.

Applying the ECL model results in the recognition of ECLs for other loans and receivables and deposits of HK$4,100,000 on 1 July 2018 and a further impairment of HK$10,600,000 for the year ended 30 June 2019 respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018 (continued)

HKFRS 9 – Financial Instruments (continued)

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the consolidated statement of financial position on 1 July 2018. This means that differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses as at 1 July 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**").

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 July 2018). As a result, the financial information presented for 2017 has not been restated.

The application of HKFRS 15 has had no material impact on the timing and amounts of revenue recognised during the year ended 30 June 2019 and on retained earnings and other components of equity as at 1 July 2018 in the consolidated financial statements. The directors are of the view that the Group's outputs are expected on a proportionate basis to measure the progress of satisfying the performance obligation in rendering the services to customers with reference to the Group's typical contracts.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018 (continued)

HKFRS 15 – Revenue from Contracts with Customers (continued)

Under HKAS 18, the Group recorded the receipts in advance from manufacturing and trading of cables and wires and copper rods under "creditors, other advances and accrued charges". Such balances were reclassified from creditors, other advances and accrued charges to liabilities upon the adoption of HKFRS 15 as at 1 July 2018.

	HK$'000
Current liabilities	
Creditors, other advances and accrued charges	
– Contract liabilities	1,850
– Receipt in advance	(1,850)
Total current liabilities	–

Details of the new significant accounting policies in relation to the Group's various goods and services arising from contracts with customers are set out in Note 3.

Adoption of HKFRS 15 does not lead to significant changes to previous accounting policies on sales of goods and provision of services.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018 (continued)

HKFRS 15 – Revenue from Contracts with Customers (continued)

Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(i) manufactures and trading of cables and wires; (ii) manufactures and trading of copper rods; and (iii) trading of metallurgical grade bauxite.	Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30 to 60 days.	**Right of return** Under HKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. Under HKFRS 15, right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. **Impact** The adoption of HKFRS 15 does not result in significant impact on the Group's accounting policies, as an exchange by customers of one product for another of the same type, quality, condition and price (for example, exchanging the product for one of a different colour or size) is not considered a return for the purposes of applying HKFRS 15.
	Warranty Some of the Group's contracts with customers from the sale of product provides standard warranty service for defective goods to assure that the product sold complies with the agreed-upon specifications within 6 months following the date of delivery.	**Warranty** Prior to the adoption of HKFRS 15, warranty was accounted under HKAS 37. Under HKFRS 15, warranty gives rise to a separate performance obligation if a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications. Therefore, an entity shall allocate the transaction price to the product and the service. **Impact** The adoption of HKFRS 15 does not result in significant impact on the Group's accounting policies as an assurance-type warranty does not give rise to an additional performance obligation.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11 Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12 Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23 Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 No mandatory effective date yet determined but available for adoption

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

HKFRS 16 – Leases (continued)

The Group will adopt HKFRS 16 from 1 July 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 July 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

As set out in Note 42 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of certain office premises and motor vehicles as at 30 June 2019 amounted to HK$5,657,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance. Unless the exemptions allowed by the standard on lease contracts who lease terms end within 12 months as of the date of initial application are applicable, it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 Income Taxes by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met, instead of at FVTPL.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to HKFRS 10 and HKAS 28 (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulate that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except for those disclosed above, the Group has so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange.

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values, as explained in the accounting policies set out below.

Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and basis of consolidation (continued)

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and not reversed in subsequent periods.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangements; or
- Joint operations: where the Group has both the rights to assets and obligation for the liabilities of the joint arrangement.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures using the equity method.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Buildings are depreciated over the shorter of the term of the lease or fifty years using the straight-line method.

Leasehold improvements are depreciated over the shorter of the remaining term of the lease or at 10% per annum using the straight-line method.

Depreciation is charged to write off the cost of property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Equipment, furniture and fixtures	20% – 30%
Plant and machinery	6.67% – 20%
Motor vehicles	20% – 30%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Prepaid lease payments for land

Prepaid lease payments for land are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments for land are amortised on a straight-line basis over the respective terms of the land use rights.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining right

Mining right is stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Amortisation of mining right is calculated to write off the cost less accumulated impairment losses and reserves of the mines on the unit-of-production method.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life on the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Impairment of assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss in profit or loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses incurred in bringing the inventories to their present location and condition, is assigned to inventories by the method most appropriate to the particular class of inventories, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Financial instruments (accounting policies applied from 1 July 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on the classification as follows:

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (accounting policies applied from 1 July 2018) (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on debtors, financial assets measured at amortised cost and equity investments measured at FVTPL. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for debtors using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, depending on credit worth of customers.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (accounting policies applied from 1 July 2018) (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including creditors, other advances and accrued charges and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (accounting policies applied until 30 June 2018)

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at FVTPL are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at FVTPL

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

The Group's non-derivative financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (accounting policies applied until 30 June 2018) (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Promissory notes

Promissory notes are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense respectively over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments through the expected life of the financial asset/liability respectively, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (accounting policies applied until 30 June 2018) (continued)

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and joint arrangements, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Leases

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

Rental income from operating leases is recognised in profit or loss 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 as an expense on the straight-line basis over the lease term.

Assets held under finance leases are capitalised at their fair values at the inception of the leases or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the consolidated statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating lease payments are recognised as expenses in profit or loss 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as an integrated part of the total rental expenses, over the term of the lease.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in HK$ using exchange rates prevailing at the end of reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve within equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of share options has been recognised in profit or loss as share-based payments.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to retained profits.

Revenue recognition (accounting policies applied from 1 July 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (accounting policies applied from 1 July 2018) (continued)

Sales of goods

Revenue from sales of goods is recognised at a point of time when the control of goods have been transferred to the buyer. There is generally only one performance obligation. Invoices are usually payable within 30 to 60 days. New customers are normally required to pay in advance. The advances received is recognised as contract liabilities.

Contract liabilities

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

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition (accounting policies applied until 30 June 2018)

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of returns, discounts and other similar allowances and excludes value-added tax or other sales related taxes.

(i) Sales of goods are recognised on transfer of risk and rewards of ownership which is at the time of delivery and title has passed to customer.

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

(iii) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Employee benefits

Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) 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).

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

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

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

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

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

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

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

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

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

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

(iii) dependents of that person or that person's spouse or domestic partner.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions adopted that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the end of each reporting period.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis or reducing balance method over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Reserve estimates and amortisation of mining right

Reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process and the determination of appropriate amortisation method of mining right may require complex and difficult geological judgments and calculations to interpret the data as well as consideration of the production plan.

Income taxes

The Group is subject to income taxes in various jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of property, plant and equipment

In determining whether an item of property, plant and equipment is impaired or the event previously causing the impairment no longer exists, the Group 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 or a CGU can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these 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.

Provision on ECL for debtors, other loans and receivables

The Group uses provision matrix to calculate ECL for the debtors, other loans and receivables. The expected loss rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's debtors, other loans and receivables are disclosed in Note 5.

Impairment of mining right

The Group's mining right is assessed annually to determine for any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. The assessment requires the use of estimates and assumptions such as long-term selling prices, discount rates, future capital requirements and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimate future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Estimated recoverable amount of CGUs with goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the recoverable amounts of the CGUs to which the goodwill has been allocated. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from the CGU and an appropriate discount.

Had the parameters for the projected future cash flows of the CGUs of the goodwill and the discount rates been different, the estimated recoverable amount of goodwill would have been significantly different and further impairment may arise.

5. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments in the normal course of the Group's business are foreign currency risk, credit risk, liquidity risk, interest rate risk, liquidity risk copper price risk and equity price risk. These risks are managed according to the Group's financial management policies and practices described below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

Most of the Group's assets and liabilities are denominated in HK$, United States dollars ("**U.S. Dollars**") and Renminbi ("**RMB**"), which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

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

Pledged bank deposits and bank balances and cash, including bank balances held on behalf of brokerage clients, are mainly deposited with registered banks in the PRC and Hong Kong. The Group has policies to limit its credit exposure to any financial institution. The directors consider the credit risk on bills receivables is low since the issuers or the banks which guarantee payments of bills receivables are of high credit rating. Accordingly, the ECLs for pledged bank deposits, bank balances and cash and bills receivables were expected to be minimal.

The carrying amounts of debtors, other loans and receivables and deposits, financial assets at FVTPL, pledged bank deposits, bank balances and cash included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets which carry significant exposure to credit risk.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

(i) Impairment of trade debtors

The Group measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on days past due for groupings of customer segments that have similar loss patterns.

The following tables provide information about the Group's exposure to credit risk and ECLs for the trade debtors as at 30 June 2019:

	Expected loss rate (%)	Gross carrying amount RMB'000	Loss allowance RMB'000
Neither past due nor impaired	0.05%	34,260	17
0–30 days past due	0.11%	6,739	8
31–90 days past due	0.35%	4,227	15
Over 90 days past due	88.08%	1,972	1,737
		47,198	1,777

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

(ii) Impairment of other loans and receivables and deposits

The Group measures loss allowances for other loans and receivables and deposits using the general approach under HKFRS 9. Impairment of these receivables and deposits was provided based on the "three-stage" model by referring to the changes in credit quality since initial recognition.

These receivables and deposits that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECL is measured on a 12-month basis.

– If a significant increase in credit risk (as defined in accounting policy at Note 3) since initial recognition is identified, the financial asset is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.

– If the financial asset is credit-impaired (as defined in accounting policy at Note 3), the financial asset is then moved to "Stage 3". The ECL is measured on lifetime basis.

– At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables and deposits as at 30 June 2019:

	Expected loss rate (%)	ECLs Stage 1 HK$'000	ECLs Stage 2 HK$'000	Lifetime ECLs Stage 3 HK$'000	Gross carrying amount HK$'000	Loss allowance HK$'000
Other loans and receivables and deposits	14.76	170,623	–	38,290	208,913	30,840

Change in gross carrying amounts of other loans and receivables and deposits during the year did not result in significant change in the loss allowance.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk relates primarily to the Group's floating-rate borrowings (Note 33).

Management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the interest rate risk.

At 30 June 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and the accumulated losses by approximately HK$1,580,000 (2018: HK$1,261,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2018.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its financial liabilities as at the end of reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
At 30 June 2019				
Non-derivative financial liabilities				
Borrowings	158,090	170,377	128,265	42,112
Promissory notes	14,004	16,803	–	16,803
Creditors, other advances and accrued charges	61,399	61,399	61,399	–
	233,493	248,579	189,664	58,915

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
At 30 June 2018				
Non-derivative financial liabilities				
Borrowings	126,141	130,492	130,492	–
Creditors, other advances and accrued charges	77,514	77,514	77,514	–
	203,655	208,006	208,006	–
Derivative financial liabilities	67	67	67	–

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 28.

At 30 June 2019, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by approximately HK$Nil (2018: HK$642,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2018.

Equity price risk

The Group is exposed to equity price changes arising from financial assets at FVTPL held for trading purpose.

The Group's listed investments are listed on the Stock Exchange. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index of the Stock Exchange and other industry indicators, as well as the Group's liquidity needs.

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2019, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by HK$2,669,000 (2018: HK$5,952,000).

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions; and

- the fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials according to professional valuation report, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

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

HKFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1 – Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value (continued)

The following table presents the Group's derivatives are measured at fair value at 30 June 2019 and 2018:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at FVTPL	**26,699**	**–**	**–**	**26,699**
Copper future contracts	**24**	**–**	**–**	**24**
	26,723	**–**	**–**	**26,723**

	2018			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at FVTPL	59,522	–	–	59,522
Liabilities				
Copper future contracts	67	–	–	67

6. TURNOVER

Revenue derived from the Group's principal activities comprises of the followings:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers:		
Sales of goods	303,858	374,885
Others	4,034	8,341
	307,892	383,226
Revenue from other sources:		
Rental income	9,187	11,550
Others	55	604
	9,242	12,154
	317,134	395,380

7. SEGMENTAL INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's reportable segments are as follows:

(i) manufacture and trading of cables and wires;

(ii) trading of copper rods;

(iii) trading of metallurgical grade bauxite; and

(iv) investment properties.

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2018 and 2019 and for the years then ended for the purpose of segment reporting.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before taxation. The adjusted profit/loss before taxation is measured consistently with the Group's profit/loss before taxation except that interest income as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2019

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	176,494	127,419	–	9,187	4,034	317,134	–	317,134
Inter-segment revenue	–	24,057	–	–	–	24,057	(24,057)	–
Reportable segment revenue	176,494	151,476	–	9,187	4,034	341,191	(24,057)	317,134
Reportable segment (loss)/profit	(27,123)	4,915	(18)	36,158	(133,625)	(119,693)	–	(119,693)
Finance costs	(7,652)	(4,566)	–	–	–	(12,218)	–	(12,218)
Change in fair value of derivative financial instruments, net	–	(494)	–	–	(638)	(1,132)	–	(1,132)
Change in fair value and loss on disposal of financial assets at FVTPL, net	–	–	–	–	(32,085)	(32,085)	–	(32,085)
Change in fair value of investment properties, net	7,841	–	–	33,777	–	41,618	–	41,618
Gain on disposal of property, plant and equipment	4,281	2,079	–	–	–	6,360	–	6,360
(Reversal of expected credit loss)/expected credit loss for doubtful debts, net	(8,625)	4,710	–	–	190	(3,725)	–	(3,725)
Impairment loss on interests in associates	–	–	–	–	(27,863)	(27,863)	–	(27,863)
Share of results of associates	–	–	–	–	(11,608)	(11,608)	–	(11,608)
Depreciation of property, plant and equipment								
– allocated	(6,694)	(4,118)	–	(1,031)	(2,709)	(14,552)	–	(14,552)
– unallocated								(45)
								(14,597)
Taxation	(1,883)	4,767	–	(9,804)	1,375	(5,545)	–	(5,545)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2018

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	196,081	179,408	–	11,550	8,341	395,380	–	395,380
Inter-segment revenue	–	35,916	–	–	–	35,916	(35,916)	–
Reportable segment revenue	196,081	215,324	–	11,550	8,341	431,296	(35,916)	395,380
Reportable segment (loss)/profit	(6,704)	(17,199)	(10)	41,225	(63,295)	(45,983)	–	(45,983)
Finance costs	(3,432)	(4,324)	–	–	–	(7,756)	–	(7,756)
Change in fair value of derivative financial instruments, net	–	659	–	–	79	738	–	738
Change in fair value and gain on disposal of financial assets at FVTPL, net	–	–	–	–	7,387	7,387	–	7,387
Change in fair value of investment properties, net	5,940	–	–	31,600	–	37,540	–	37,540
Change in fair value of profit guarantee	–	–	–	–	(5,880)	(5,880)	–	(5,880)
(Impairment loss)/reversal of impairment loss for doubtful debts, net	(2,177)	(363)	–	–	65	(2,475)	–	(2,475)
Impairment loss on property, plant and equipment	–	(7,122)	–	–	–	(7,122)	–	(7,122)
Impairment loss on interests in associates	–	–	–	–	(42,519)	(42,519)	–	(42,519)
Loss on disposal of a subsidiary	–	–	–	–	(1,236)	(1,236)	–	(1,236)
Share of results of associates	–	–	–	–	8,626	8,626	–	8,626
Depreciation of property, plant and equipment								
– allocated	(6,607)	(5,911)	–	(1,717)	(3,055)	(17,290)	–	(17,290)
– unallocated								(60)
								(17,350)
Taxation	(405)	2,736	45	(7,744)	–	(5,368)	–	(5,368)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

As at 30 June 2019

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	**162,759**	**266,080**	**–**	**319,977**	**154,375**	**903,191**
Additions to non-current assets	**2,914**	**–**	**–**	**–**	**47,903**	**50,817**
Reportable segment liabilities	**127,064**	**64,171**	**–**	**11,696**	**2,618**	**205,549**

As at 30 June 2018

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	190,148	271,488	1,823	293,555	289,502	1,046,516
Additions to non-current assets	4,199	–	–	–	61,685	65,884
Reportable segment liabilities	99,687	75,758	–	7,720	7,956	191,121

7. SEGMENTAL INFORMATION (continued)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2019 HK$'000	2018 HK$'000
For the year ended 30 June		
Loss before taxation		
Reportable segment loss	(119,693)	(45,983)
Impairment loss on intangible assets	(143,351)	(23,952)
Impairment loss/(reversal of impairment loss) on interests in joint venture	(16,363)	2,734
Share of results of joint ventures	(162)	(209)
Unallocated finance costs	(1,231)	(2,540)
Share-based payment expenses	(8,414)	–
Unallocated corporate expenses	(8,077)	(10,357)
Consolidated loss before taxation	(297,291)	(80,307)
At 30 June		
Assets		
Reportable segment assets	903,191	1,046,516
Mining right	456,723	553,426
Interests in joint ventures	16,407	32,791
Unallocated bank balances and cash	2,085	8,740
Unallocated corporate assets	22,755	12,614
Consolidated total assets	1,401,161	1,654,087
Liabilities		
Reportable segment liabilities	205,549	191,121
Taxation	72	92
Promissory notes	14,004	–
Deferred tax liabilities	53,575	50,245
Unallocated corporate liabilities	13,940	12,601
Consolidated total liabilities	287,140	254,059

7. SEGMENTAL INFORMATION (continued)

(c) Geographical information

The Group's operations are conducted in Hong Kong, the PRC, Americas, Europe and other Asian regions.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("**Specified non-current assets**").

	Revenue from external customers		Specified non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**240,425**	303,340	**433,023**	468,817
Americas	**13,857**	17,164	**–**	–
Europe	**32,598**	34,237	**–**	–
Hong Kong	**18,146**	27,415	**114,388**	139,933
Other Asian regions	**12,108**	13,224	**476,811**	594,643
	317,134	395,380	**1,024,222**	1,203,393

The revenue information above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets.

(d) Disaggregation of revenue by timing of revenue recognition

For the year ended 30 June 2019

	Cables and wires HK$'000	**Copper rods HK$'000**	**Investment properties HK$'000**	**Others HK$'000**	**Total HK$'000**
Revenue from contracts with customers disaggregated by timing of revenue recognition					
– At a point in time	**176,439**	**127,419**	**–**	**4,034**	**307,892**
– Transferred over time	**–**	**–**	**–**	**–**	**–**
	176,439	**127,419**	**–**	**4,034**	**307,892**
Revenue from other sources	**55**	**–**	**9,187**	**–**	**9,242**
	176,494	**127,419**	**9,187**	**4,034**	**317,134**

7. SEGMENTAL INFORMATION (continued)

(d) Disaggregation of revenue by timing of revenue recognition (continued)

For the year ended 30 June 2018

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000
Revenue from contracts with customers disaggregated by timing of revenue recognition					
– At a point in time	195,477	179,408	–	8,341	383,226
– Transferred over time	–	–	–	–	–
	195,477	179,408	–	8,341	383,226
Revenue from other sources	604	–	11,550	–	12,154
	196,081	179,408	11,550	8,341	395,380

(e) Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group is as follows:

	2019 HK$'000	2018 HK$'000
Copper rods segment		
Customer A	**56,702**	86,211
Customer B	**39,158**	53,159

8. LOSS BEFORE TAXATION

Loss from operations is arrived at after charging/(crediting) the followings:

	2019 HK$'000	2018 HK$'000
Auditor's remuneration	**2,150**	2,040
Amortisation of prepaid lease payments for land	**2,885**	2,711
Depreciation of property, plant and equipment	**14,597**	17,350
Carrying amount of inventories sold	**286,837**	355,448
(Reversal of write-down)/write-down of inventories	**(1,324)**	2,135
Cost of inventories recognised as expenses (Note (i))	**285,513**	357,583
Change in fair value of profit guarantee (Note (ii))	**–**	5,880
Lease payments under operating leases	**12,264**	12,601
(Gain)/loss on disposal of property, plant and equipment	**(6,360)**	115
Exchange difference, net	**35,066**	(10,444)
Impairment loss on intangible assets	**143,351**	23,952
Impairment loss on property, plant and equipment	**–**	7,122
Impairment loss on interests in associates	**27,863**	42,519
Impairment loss/(reversal of impairment loss) on interests in joint ventures	**16,363**	(2,734)
Expected credit loss/impairment loss for doubtful debts, net	**3,725**	2,475
Share of results of associates	**11,608**	(8,626)
Share of results of joint ventures	**162**	209
Share-based payment expenses (Note 37)	**8,414**	–
Staff costs (including directors' remuneration) (Note 9)	**59,546**	65,478

Notes:

(i) Included in cost of inventories is HK$28,224,000 (2018: HK$30,024,000) relating to staff costs and depreciation of property, plant and equipment. The amounts are also included in the respective total amounts as separately disclosed above.

(ii) The profit guarantee arose from the Group's acquisition of 49% equity interest in Idea International Holdings Limited ("**IDEA**"), which was subsequently measured at fair value after initial recognition. During the year ended 30 June 2018, the profit guarantee had been achieved and derecognised at a loss on change in fair value of HK$5,880,000 recognised in profit or loss.

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the remuneration of the directors and the five highest paid individuals for the year were as follows:

Name of director	Fees		Salaries and other benefits		Share-based payment		Retirement benefit scheme contributions		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chau Lai Him	–	–	6,708	6,909	1,182	–	–	–	7,890	6,909
Zhou Jin Hua	–	–	1,405	1,414	1,182	–	2	17	2,589	1,431
Liu Dong Yang	305	290	248	260	1,182	–	94	103	1,829	653
Chau Chi Ho	–	–	1,040	983	709	–	18	18	1,767	1,001
Chung Kam Kwong	408	384	–	–	50	–	–	–	458	384
Lo Wai Ming	252	240	–	–	50	–	–	–	302	240
Lo Chao Ming	94	88	–	–	50	–	–	–	144	88
	1,059	1,002	9,401	9,566	4,405	–	114	138	14,979	10,706

During the year ended 30 June 2019, 88,460,000 share options (2018: Nil) have been granted to the directors of the Company, and the corresponding share-based payment expenses of HK$4,405,000 (2018: HK$Nil) has been recognised in profit or loss.

There was no arrangement under which a director waived or agreed to waive any remuneration, and neither incentive payment nor compensation for loss of office was paid to a director during the current and prior years.

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

The five highest paid individuals of the Group include four (2018: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining one (2018: three) non-director individual was as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	1,494	3,323
Contributions to retirement benefit schemes	18	54
	1,512	3,377

Remuneration of these individuals was within the following bands:

	Number of individuals	
	2019	2018
Nil – HK$1,000,000	–	–
HK$1,000,001 – HK$1,500,000	–	3
HK$1,500,001 – HK$2,000,000	1	–

The emoluments paid or payable to members of senior management were within the following bands:

	Number of individuals	
	2019	2018
Nil – HK$1,000,000	7	8
HK$1,000,001 – HK$1,500,000	–	3
HK$1,500,001 – HK$2,000,000	3	–
HK$2,500,000 – HK$3,000,000	1	–
HK$3,000,001 – HK$3,500,000	–	–
HK$3,500,001 – HK$4,000,000	–	–
HK$4,000,001 – HK$4,500,000	–	–
HK$6,500,001 – HK$7,000,000	–	1
HK$7,000,001 – HK$10,000,000	1	–

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on borrowings	**13,214**	8,439
Imputed interest on promissory notes (Note 34)	**235**	1,857
	13,449	10,296

11. TAXATION

	2019 HK$'000	2018 HK$'000
Current tax for the year		
Hong Kong profits tax		
– provision for the year	**–**	–
Taxation in other jurisdictions:		
– provision for the year	**91**	40
– under-provision in respect of previous years	**162**	458
	253	498
Deferred tax for the year (Note 35)	**5,292**	4,870
	5,545	5,368

No provision for Hong Kong profits tax is made for current year and prior year as there is no assessable profits arising in Hong Kong for both years. Taxation in other countries and jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The corporate income tax for enterprises in the PRC is calculated at the applicable standard rate of 25% for both years.

11. TAXATION (continued)

Reconciliation between taxation for the year and loss before taxation presented in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2019 HK$'000	2018 HK$'000
Loss before taxation	(297,291)	(80,307)
Tax calculated at the rates applicable to the tax jurisdictions concerned	(74,322)	(20,077)
Tax effect of expenses not deductible for tax purpose	78,354	52,470
Tax effect of income not taxable for tax purpose	(5,219)	(28,056)
Tax effect of tax losses not recognised	6,322	3,223
Utilisation of tax losses previously not recognised	(830)	–
Under-provision in respect of prior years	162	458
Tax effect of deductible temporary difference not recognised	(1,865)	139
Tax effect on share of results of associates	2,902	(2,157)
Tax effect on share of results of joint ventures	41	(632)
Taxation for the year	5,545	5,368

12. OTHER INCOME AND GAINS

	2019 HK$'000	2018 HK$'000
Other rental income	221	223
Exchange difference, net	–	10,444
Gain on disposal of property, plant and equipment	6,360	–
Others	4,371	3,659
	10,952	14,326

13. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2018 and 2019.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2019 HK$'000	2018 HK$'000
Loss attributable to owners of the Company	**(301,963)**	(85,639)

	2019	2018
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,372,059,737**	2,354,853,025

The computation of diluted loss per share does not assume the subscription of the Company's outstanding potential dilutive ordinary shares as they are anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the years ended 30 June 2019 and 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST:						
At 1 July 2017	74,629	22,507	67,271	292,542	30,167	487,116
Additions	–	–	1,183	3,039	–	4,222
Disposals	–	(244)	(875)	–	–	(1,119)
Exchange realignment	2,139	588	813	6,900	474	10,914
At 30 June 2018 and 1 July 2018	76,768	22,851	68,392	302,481	30,641	501,133
Additions	–	2,297	532	85	–	2,914
Disposals	(96)	–	–	(24,303)	(208)	(24,607)
Exchange realignment	(3,040)	(877)	(3,011)	(9,991)	(729)	(17,648)
At 30 June 2019	**73,632**	**24,271**	**65,913**	**268,272**	**29,704**	**461,792**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:						
At 1 July 2017	45,200	15,369	48,937	255,344	23,311	388,161
Depreciation	4,606	905	4,225	6,020	1,594	17,350
Impairment	–	–	–	7,122	–	7,122
Disposals	–	(244)	(617)	–	–	(861)
Exchange realignment	1,226	397	1,082	6,004	334	9,043
At 30 June 2018 and 1 July 2018	51,032	16,427	53,627	274,490	25,239	420,815
Depreciation	4,402	1,469	3,837	3,692	1,197	14,597
Disposals	(39)	–	–	(17,182)	(187)	(17,408)
Exchange realignment	(2,070)	(632)	(2,276)	(9,176)	(601)	(14,755)
At 30 June 2019	**53,325**	**17,264**	**55,188**	**251,824**	**25,648**	**403,249**
NET CARRYING AMOUNT:						
At 30 June 2019	**20,307**	**7,007**	**10,725**	**16,448**	**4,056**	**58,543**
At 30 June 2018	25,736	6,424	14,765	27,991	5,402	80,318

During the year ended 30 June 2019, items of plant and machinery relating to manufacturing activities were retired and accordingly an impairment loss of HK$Nil (2018: HK$7,122,000) was recognised in profit or loss.

16. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Fair value at beginning of year	303,146	259,889
Change in fair value	41,618	37,540
Exchange realignment	(10,485)	5,717
	334,279	303,146
Less: classified as held for sale (Note 49)	(13,119)	–
Fair value at end of year	321,160	303,146

The Group's investment properties were valued at 30 June 2019 by Peak Vision and LCH (Asia-Pacific) Surveyors Limited ("**LCH**"), which are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties, including the industrial buildings and the residential buildings, was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies using the investment approach or using the direct comparison approach by making reference to comparable sales evidence available as in the relevant market. These valuations gave rise to net fair value gains of HK$41,618,000 (2018: HK$37,540,000) during the year.

The fair value of the investment properties is a Level 3 recurring fair value measurement.

For the significant unobservable inputs used under the investment approach, term yield ranging from 5.9% to 19.89% (2018: 2.8% to 19.64%), reversionary yield ranging from 8.9% to 9.9% (2018: 2.8% to 9.64%) and average market unit rent per month ranging from RMB11 to RMB32 (2018: RMB11.1 to RMB26.7) per square metre are adopted for the industrial buildings whereas term yield of 3.25% (2018: 3.5%), reversionary yield of 3.5% (2018: 3.75%) and average market unit rent per month ranging from RMB17 to RMB27 (2018: RMB19 to RMB27) per square metre are adopted for the residential buildings.

Under the direct comparison approach, significant inputs of the Group's industrial buildings in the PRC include price per square metre of RMB854 to RMB3,084 (2018: RMB1,483) adjusted for a discount of 5% (2018: discount of 7%) specific to the location of the Group's industrial building located in the PRC compared to recent sales on the comparable transactions.

The fair value measurement of investment properties is negatively correlated to the term yield and reversionary yield and positively correlated to average market unit rent per month under the investment approach, and is positively correlated to the price per square feet and square metre where appropriate and a favourable adjustment on the comparable transactions under the direct comparison approach.

The fair value measurement is based on the above properties highest and best use, which does not differ from their current use.

16. INVESTMENT PROPERTIES (continued)

Fair value adjustments of investment properties are recognised in profit or loss. All the gains recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

There was no transfer between Levels 1, 2 and 3 during the year.

The Group's investment properties are mainly situated in the PRC.

As at 30 June 2019, the Group pledged investment properties with aggregate carrying amount of HK$240,760,000 (2018: HK$168,250,000) to secure the borrowings of the Group (Note 33).

17. PREPAID LEASE PAYMENTS FOR LAND

	2019 **HK$'000**	2018 HK$'000
Carrying amount at beginning of year	**110,526**	51,009
Additions	**–**	61,662
Disposal	**(62)**	–
Charged to the profit or loss during the year	**(2,885)**	(2,711)
Exchange realignment	**(4,372)**	566
Carrying amount at end of year	**103,207**	110,526

The Group's carrying amount of the prepaid lease payments for land is analysed as follows:

	2019 **HK$'000**	2018 HK$'000
Leasehold land situated in the PRC	**102,999**	110,248
Leasehold land situated in Hong Kong	**208**	278
	103,207	110,526
Analysed for reporting purposes as:		
Non-current	**100,354**	107,552
Current	**2,853**	2,974
	103,207	110,526

18. INTANGIBLE ASSETS

	Mining right HK$'000	Trading right HK$'000	Goodwill HK$'000	Total HK$'000
COST:				
At 1 July 2017	1,168,048	630	57,570	1,226,248
Exchange realignment	(133)	–	–	(133)
At 30 June 2018 and 1 July 2018	1,167,915	630	57,570	1,226,115
Exchange realignment	(204)	–	–	(204)
At 30 June 2019	**1,167,711**	**630**	**57,570**	**1,225,911**
ACCUMULATED AMORTISATION AND IMPAIRMENT:				
At 1 July 2017	601,891	–	–	601,891
Impairment	12,601	–	11,351	23,952
Exchange realignment	(3)	–	–	(3)
At 30 June 2018 and 1 July 2018	614,489	–	11,351	625,840
Impairment	96,502	630	46,219	143,351
Exchange realignment	(3)	–	–	(3)
At 30 June 2019	**710,988**	**630**	**57,570**	**769,188**
NET CARRYING AMOUNT:				
At 30 June 2019	**456,723**	**–**	**–**	**456,723**
At 30 June 2018	553,426	630	46,219	600,275

18. INTANGIBLE ASSETS (continued)

Mining right

The mining right represents the right to conduct mining activities in the location of Nergui, Delgerkhangai soum, Dundgobi aimag, the State of Mongolia, for a period of 30 years, expiring on 23 November 2039. The mining operating license is issued by the Mineral Resources Authority of the State of Mongolia. It is extendable by 2 successive 20 years each.

The mining right is subject to impairment review whenever there are indications that the mining right's carrying amount may not be recoverable.

In performing the impairment testing for the year, the directors of the Company have engaged Peak Vision in determining the recoverable amount of the CGU for which the mining right belongs to (the "**Mining CGU**"). Given the current development status of mining right, management has determined that recoverable amount of the Mining CGU on a fair-value-less-costs-of-disposal basis. The calculation has incorporated assumptions that a typical market participant would use in estimating the recoverable amount of the Mining CGU, which adopted cash flow projection for a period of 9 years which is estimated to be the entire period of mining activities, discounted by the post-tax discount rate of 23.08%. In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the commodity market are taken as reference.

The fair value of the mining right is a Level 3 non-recurring fair value measurement.

As at 30 June 2019, the carrying amount of the Mining CGU was HK$558,922,000, which was higher than the recoverable amount of HK$462,420,000 based on the above assessment, resulting in an impairment loss of HK$96,502,000. The impairment loss is primarily due to the delay in the mining plan and hence a corresponding decrease in future cash inflows, which is attributed to the decrease in the recoverable amount of the mining right.

As at 30 June 2018, the carrying amount of the Mining CGU was HK$574,453,000, which was higher than the recoverable amount of HK$561,852,000 based on the above assessment, resulting in an impairment loss of HK$12,601,000. The impairment loss is primarily due to the delay in the mining plan and hence a corresponding decrease in future cash inflows, which is attributed to the decrease in the recoverable amount of the mining right.

18. INTANGIBLE ASSETS (continued)

Trading right and goodwill

Trading right confers a right to the Group to trade securities and options contracts on or through the Stock Exchange such that the Group can conduct the business of securities brokerage.

Trading right is considered by the directors of the Group as having indefinite useful life because there is no foreseeable limit on the period over which the trading right is expected to generate cash flows to the Group. Trading right is not amortised until its useful life is determined to be finite. Instead, it is tested for impairment annually and whenever there is an indication that it may be impaired. For such purposes, trading right is allocated to the businesses of securities brokerage, placing and underwriting services and margin financing as one CGU (the "**Securities CGU**"). For the purposes of impairment testing, goodwill arising from the related business combination is also allocated to the Securities CGU.

During the year ended 30 June 2019, the Group determined not to continue to carry out regulated activities under the Securities and Futures Ordinances ("**SFO**") and voluntarily surrendered its licenses under the SFO. Accordingly, full impairment losses on the Group's trading right and goodwill allocated to Securities CGU amounted to HK$630,000 and HK$46,219,000 respectively were recognised in profit or loss.

At 30 June 2018, the recoverable amount of the Securities CGU has been determined from value-in-use calculations based on cash flow projections from formally approved budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated weighted average growth rate of 3%, which does not exceed the long-term growth rate for the relevant industry.

Pre-tax discount rate	15.93%
Growth rate within the three-year period	3%

The discount rate reflects specific risks relating to the Securities CGU. The growth rate within the three-year period have been based on past experience.

As at 30 June 2018, the carrying amount of the Securities CGU was HK$59,741,000, which was higher than the recoverable amount of HK$48,390,000 based on the above assessment, resulting in an impairment loss on goodwill of HK$11,351,000.

19. PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	HK$'000	HK$'000
Prepayments made for acquisition of property, plant and equipment	**34,134**	–

20. OTHER ASSETS

As at 30 June 2019, included in other assets are deposits and prepaid fees in relation to business of securities brokerage of HK$200,000 (2018: HK$200,000).

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries as at the end of reporting period are set out below:

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Company		Principal activities
			Directly	Indirectly	
Aberdeen Investments Limited	Samoa/PRC	1 share of US$1	–	100%	Property holding
Chau's Electrical (BVI) Company Limited	British Virgin Islands ("**BVI**")/PRC	1 share of US$1	–	100%	Property holding
Chau's Electrical Company Limited	Hong Kong ("**HK**")	HK$1,000 ordinary HK$500,000 non-voting deferred (Note (a))	–	100%	Manufacture and trading of cable and wire products and property holding
Chau's Industrial Investments Limited	BVI	US$1,000	100%	–	Investment holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.#	PRC	US$20,025,000	–	100%	Manufacture and trading of copper products and metallurgical grade bauxite
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd#	PRC	HK$6,810,000	–	100%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Fine Chemical Co., Ltd.* ("**Xin Bao**")	PRC	HK$65,000,000	–	89.62%	Property holding
Gosberton Assets Limited	BVI	US$1	–	100%	Holding of trademarks
Great Measure Investments Limited	BVI	US$1	100%	–	Investment holding
Hua Yi Copper Products Company Limited	HK	HK$5,000,000	–	100%	Manufacture and trading of copper products and metallurgical grade bauxite
Ikh Shijir Erdene LLC	The State of Mongolia	US$100,000	–	100%	Mining business (not yet commenced)

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Company Directly	Indirectly	Principal activities
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd#	PRC	US$2,500,000	–	100%	Manufacture and trading of cable and wire products and property holding
Sun Progress Limited	BVI	US$1	–	100%	Investment holding
Yellowstone Assets Limited	BVI	US$1	–	100%	Investment holding
東莞優品商貿發展有限公司 Dongguan Youpin Business Development Co., Ltd. ("**Youpin**") (formerly known as 東莞市韻鑫高分子科技有限公司 Dongguan Yunxin Polymer Technology Co., Ltd.)	PRC	RMB3,000,000	–	51% (2018: 100%) (Note 40)	Manufacture and trading of plastic products; trading of frozen food
Pico Zeman Securities (HK) Ltd ("**Pico Zeman**")	HK	HK$47,650,000 (2018: HK$45,000,000)	–	93.94% (2018: 100%) (Note 40)	Trading of securities (cessation of business)
廉江市周氏石材有限公司 Lianjiang Zhou's Marble Limited ("**Zhau's Marble**")	PRC	RMB10,000,000	–	80%	Processing and trading of marble related products (not yet commenced)

Wholly-owned foreign enterprise
* Equity joint venture

Notes:

(a) The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up.

(b) Except for Chau's Industrial Investments Limited and Great Measure Investments Limited, all the subsidiaries are indirectly held by the Company.

None of the subsidiaries issued any debt security at the end of reporting period.

22. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Share of net assets	33,600	37,802
Goodwill	18,638	41,509
	52,238	79,311

Particulars of the Group's associates as at 30 June 2019 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
Idea International Holdings Ltd.#	Limited liability company	Cayman Islands	49% (direct)	Investment holding
Idea Advertising Holdings Ltd.#	Limited liability company	BVI	49% (indirect)	Investment holding
Idea Advertising Hong Kong Company Ltd.#	Limited liability company	Hong Kong	49% (indirect)	Investment holding
廣州市藝典廣告有限公司#	Limited liability company	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services
珠海藝典廣告有限公司#	Limited liability company	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services

22. INTERESTS IN ASSOCIATES (continued)

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
霍爾果斯藝典廣告有限公司#	Limited liability company	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services
Ocean Pride Ventures Limited*	Limited liability company	BVI	17% (direct)	Investment holding
Vietta Investment Holdings Limited*	Limited liability company	Hong Kong	17% (indirect)	Investment holding
江門市健輝照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Investment holding
江門市博林照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Research, development, processing and sales of some furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC

Collectively known as the "Idea Group"
* Collectively known as the "Ocean Pride Group", acquired during the year ended 30 June 2019. Details of which are set out in Note 46.

The financial statements of the above companies are not audited by BDO Limited or any of its member firms.

During the year, the recoverable amount of the Idea Group was determined by the directors of the Company based on value-in-use calculations with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection based on the financial budget approved by management covering a three-year period. The cash flows beyond the three-year period are extrapolated using a steady growth rate of 3% (2018: 3%), which is based on the relevant industry growth rate and does not exceed the average long-term growth rate for the business in which the associates operate. The pre-tax discount rate adopted in the calculation is 18.78% (2018: 18.05%).

22. INTERESTS IN ASSOCIATES (continued)

As at 30 June 2019, the carrying amount of the Idea Group, before impairment, is higher than its recoverable amount based on the above assessment. Accordingly, an impairment loss on goodwill included in interests in associates of HK$27,863,000 (2018: HK$42,519,000) was recognised in profit or loss.

Summarised financial information in relation to the Idea Group is presented below:

	2019	2018
	HK$'000	HK$'000
At 30 June		
Total non-current assets	**18**	16,623
Total current assets	**62,620**	79,526
Total current liabilities	**12,505**	19,001
Total non-current liabilities	**–**	–
Net assets	**50,133**	77,148
Proportion of effective interest held by the Group	**49%**	49%
Group's share of net assets of associates	**24,565**	37,802
For the year ended 30 June		
Revenue	**2,765**	60,387
(Loss)/profit from operations	**(24,186)**	17,604
Other comprehensive income	**(2,827)**	1,090
Total comprehensive income for the year	**(27,013)**	18,694
Share of results of associates	**(11,851)**	8,626
Share of other comprehensive income of associates	**(1,385)**	534

22. INTERESTS IN ASSOCIATES (continued)

During the year, the recoverable amount of the Ocean Pride Group was determined by the directors of the Company based on value-in-use calculations with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection based on the financial budget approved by management covering a five-year period. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3%, which is based on the relevant industry growth rate and does not exceed the average long-term growth rate for the business in which the associates operate. The pre-tax discount rate adopted in the calculation is 17.82%.

As at 30 June 2019, the value-in-use of the Ocean Pride Group exceeded its carrying amount, and hence the goodwill of the respective CGU included in the Group's interests in associates was not regarded as impaired.

Summarised financial information in relation to the Ocean Pride Group is presented below:

	2019 HK$'000
At 30 June	
Total non-current assets	57,762
Total current assets	79,093
Total current liabilities	70,565
Total non-current liabilities	13,144
Net assets	53,146
Proportion of effective interest held by the Group	17%
Group's share of net assets of associates	9,035
For the year ended 30 June	
Revenue	29,646
Profit from operations	1,427
Other comprehensive income	94
Total comprehensive income for the year	1,521
Share of results of associates	243
Share of other comprehensive income of associates	16

23. INTERESTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Share of net assets	32,770	32,791
Less: impairment	(16,363)	–
	16,407	32,791

Particulars of the Group's joint ventures as at 30 June 2019 are as follows:

Name of joint venture	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
Venture Max Limited	BVI	10% (direct)	Investment holding
Mongolian Copper Mining LLC	Mongolia	10% (indirect)	Mining business (not yet commenced)

The Group has joint control over the arrangements as unanimous consent is required from all parties to the arrangements for the relevant activities of the aforesaid companies. The contractual arrangement in relation to the aforesaid companies provide the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for the liabilities of the joint arrangements resting primarily with these companies.

The financial statements of the above companies are not audited by BDO Limited or any of its member firms.

During the year, the recoverable amount of the Group's joint ventures was determined by the directors of the Company based on value-in-use calculations with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection for a period of 18 years, discounted by the post-tax discount rate of 24.05% (2018: 25.45%). In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the commodity market are taken as reference.

As at 30 June 2019, the carrying amount of the Group's joint ventures, before impairment, is higher than its recoverable amount based on the above assessment. Accordingly, an impairment loss on interests in joint ventures of HK$16,363,000 (2018: reversal of impairment loss amounting to HK$2,734,000) was recognised in profit or loss.

23. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information in relation to the joint ventures is presented below:

	2019 HK$'000	2018 HK$'000
At 30 June		
Total non-current assets	349,087	348,928
Cash and cash equivalents	641	968
Other current assets	949	2,621
Total current assets	1,590	3,589
Current financial liabilities	(13,030)	(13,973)
Other current liabilities	–	(24)
Total current liabilities	(13,030)	(13,997)
Total non-current liabilities	(9,949)	(10,612)
Net assets	327,698	327,908
Reconciliation to the Group's interests in joint ventures:		
Proportion of effective interest held by the Group	10%	10%
Group's share of net assets of the joint ventures	32,770	32,791
For the year ended 30 June		
Exploration expenses	(1,555)	(1,970)
Other expenses	(62)	(123)
Loss for the year	(1,617)	(2,093)
Other comprehensive income	1,406	815
Total comprehensive income for the year	(211)	(1,278)
Share of results of joint ventures	(162)	(209)
Share of other comprehensive income of joint ventures	141	82

24. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	13,251	13,219
Work in progress	1,786	2,278
Finished goods	7,648	16,160
	22,685	31,657

During the year ended 30 June 2019, a reversal of write-down of inventories amounting to HK$1,324,000 (2018: a write-down of inventories of HK$2,135,000) is recorded in cost of sales as presented in the consolidated statement of profit or loss.

25. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Trade debtors, net	45,421	55,743
Loans receivable	148,994	98,789
Prepayments	5,955	8,164
Deposits and other receivables, net	29,079	75,272
	229,449	237,968

(i) The Group usually grants credit period ranging from 30 to 60 days (2018: 30 to 60 days) to its trade customers.

(ii) The aging analysis of net trade debtors, based on invoice date, as of the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	21,100	28,222
31 – 60 days	9,226	12,146
61 – 90 days	7,283	10,621
Over 90 days	7,812	4,754
	45,421	55,743

25. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(iii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year under HKAS 39	8,389	8,009
Effect of adoption of HKFRS 9	550	–
Adjusted balance at beginning of year	8,939	8,009
Allowance for doubtful debts recognised for trade debtors arising from contracts with customers	78	1,971
Reversal of expected credit loss/allowance for doubtful debts	(6,953)	(1,295)
Amount written off as uncollectible	–	(496)
Exchange realignment	(287)	200
At end of year	1,777	8,389

As at 30 June 2019, the Group's trade debtors of HK$1,777,000 (2018: HK$8,389,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

25. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(iv) The aging analysis of net trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2019	2018
	HK$'000	HK$'000
Neither past due nor impaired	**34,241**	47,063
Past due 1–30 days	**6,732**	6,633
Past due 31–90 days	**4,213**	2,015
Past due more than 90 days	**235**	32
	45,421	55,743

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(v) As at 30 June 2019, included in debtors, other loans and receivables, deposits and prepayments mainly consisted of:

(a) Other loans receivable from seven (2018: two) independent third parties with aggregate principal amount of HK$148,177,000 (2018: HK$89,476,000) and related interest receivables of HK$11,958,000 (2018: HK$3,012,000).

These loan receivables were unsecured, interest-bearing at rates ranged from 5.5% to 13% (2018: 5.5% to 12%) per annum and repayable within twelve months from the end of reporting period.

The directors of the Company are of the opinion that, after taking into account the past payment history, reversal of impairment of the loan receivables of HK$10,600,000 is made at the end of the reporting period.

(b) Amounts due from financial institutions amounting to HK$2,023,000 (2018: HK$3,010,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

(c) An amounts due from non-controlling equity owners of the subsidiaries amounted to HK$5,757,000 (2018: HK$6,810,000). The balance are unsecured, interest-free and has no fixed terms of repayment.

(d) An amount due from a joint venture amounted to HK$16,221,000 (2018: HK$16,221,000). The balance is secured by the shares of the joint venture, interest-free and has no fixed terms of repayment.

25. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(vi) The below table reconciled the impairment loss of other loans and receivables for the year:

	2019 HK$'000	2018 HK$'000
At beginning of year under HKAS 39	16,140	14,266
Effect of adoption of HKFRS 9	4,100	–
Adjusted balance at beginning of year	20,240	14,266
Expected credit loss/impairment loss recognised during the year	10,600	1,799
Exchange realignment	–	75
At end of year	30,840	16,140

26. BILLS RECEIVABLE

Bills receivable generally have credit terms ranging from 3 to 6 months. No bills receivables as at 30 June 2019 and 2018 are past due.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Equity securities held for trading and listed in Hong Kong	26,699	59,522

Fair values of the listed equity securities are determined based on the quoted market prices in an active market. During the year ended 30 June 2019, a fair value loss of HK$24,262,000 (2018: fair value gain of HK$6,566,000) and a net loss on disposal of HK$7,823,000 (2018: a net gain on disposal of HK$821,000) are recognised in profit or loss.

28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative not qualified for hedging

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Copper futures contracts	**24**	**–**	–	67

The major terms of the outstanding copper futures contracts of the Group which has not been designated as hedging instruments were as follows:

	As at 30 June 2019	As at 30 June 2018
Quantities (in tonnes)	**125**	125
Average price per tonne	**US$5,868**	US$6,626
Delivery period	**From July 2019 to September 2019**	From July 2018 to September 2018
Fair value gain/(loss) of copper futures contracts recognised as current assets/(liabilities) (in HK$'000)	**24**	(67)

The decrease in fair value of derivative financial instruments amounting to HK$1,132,000 (2018: increase in fair value of HK$738,000) has been recongnised in profit or loss during the year.

29. PLEDGE OF ASSETS

As at 30 June 2019, save as disclosed elsewhere in these financial statements, the Group has pledged the following assets to secure general banking facilities and other loans granted to the Group. The carrying amounts of these assets are analysed as follows:

	Note	**2019**	2018
		HK$'000	HK$'000
Investment properties	16	**240,760**	168,250
Pledged bank deposits		**2,274**	11,851
		243,034	180,101

30. BANK BALANCES AND CASH AND BANK BALANCES HELD ON BEHALF OF BROKERAGE CLIENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2019	2018
	HK$'000	HK$'000
Bank balances and cash and bank balances held on behalf of brokerage clients were denominated in the following currencies:		
RMB	**52,053**	68,089
HK$	**5,736**	20,522
U.S. Dollars	**2,092**	3,210
EURO	**86**	51
Mongolian Tughrik	**71**	340
	60,038	92,212

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

In respect of the Group's business of securities brokerage, the Group maintains segregated trust accounts and bank time deposits with authorised institutions to hold clients' monies. The Group has classified clients' monies separately under current assets in the consolidated statement of financial position and has recognised the corresponding trade creditors of HK$18,000 (2018: HK$5,451,000) to respective clients as included in the trade creditors in Note 32 on the ground that it is liable for any loss or misappropriation of clients' monies and does not have a currently enforceable right to offset those payables with the deposits placed.

31. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

For the year ended 30 June 2019

During the year, 2,981,748 new shares of Pico Zeman were allotted and subscribed by the then director of Pico Zeman at an aggregate amount of HK$1,450,000. Upon the completion of these subscription, the Group's equity interest in Pico Zeman was reduced from 100% to 93.94%. Such deemed disposal does not result in the loss of control on Pico Zeman and is accounted for as an equity transaction with non-controlling interest.

The Group and an independent third party agreed to make capital injection into a Group's then wholly-owned subsidiary, DG Yunxin, amounted to RMB31,000,000 (equivalent to approximately HK$36,270,000) and RMB32,670,000 (equivalent to approximately HK$37,167,000) respectively. Upon the completion of capital injection, the equity interest of the Group in DG Yunxin reduced to 51%. As at 30 June 2019, the capital injection has not been completed.

The Group also disposed of its 49% equity interest in a then wholly-owned subsidiary On Legend Limited ("**On Legend**") at a cash consideration of HK$490. The disposal does not result in the loss of control on On Legend and is accounted for as an equity transaction with non-controlling interest.

31. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES (continued)

For the year ended 30 June 2018

The Group disposed of the entire issued share capital in a subsidiary, China Glory Management Limited (together with its subsidiaries are collectively referred to as the Disposal Group), at the consideration of HK$140,000,000 in cash. The Disposal Group was principally engaged in holding of land use rights, and manufacturing and trading of cables and wires in the PRC.

The assets and liabilities of the Disposal Group at the date of disposal are:

	HK$'000
Property, plant and equipment	549
Investment properties	131,482
Debtors, other loans and receivables, deposits, and prepayments	15,688
Bank balances and cash	1,515
Creditors, other advances and accrued charges	(2,052)
Deferred tax liabilities	(19,911)
Net assets disposed of	127,271
Cumulative exchange differences in respect of the net assets of the Disposal Group reclassified from equity to profit or loss on loss of control of the Disposal Group	13,965
Loss on disposal	(1,236)
Total consideration	140,000
Net cash inflow arising on disposal:	
Consideration received in cash	140,000
Less: Cash and bank balances disposed of	(1,515)
	138,485

32. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

	2019	2018
	HK$'000	HK$'000
Trade creditors	**23,136**	34,573
Receipt in advance (Note (i))	**–**	1,850
Contract liabilities (Note (i))	**1,577**	–
Other payables and accruals	**36,686**	41,091
	61,399	77,514

Aging analysis of trade creditors, based on invoice date or the date of recognition, is as follows:

	2019	2018
	HK$'000	HK$'000
0 – 30 days	**11,821**	20,318
31 – 60 days	**5,393**	7,199
61 – 90 days	**854**	2,037
Over 90 days	**5,068**	5,019
	23,136	34,573

Note (i):

Contract liabilities primarily relate to the advances received from customers for sale of goods. The advances remain as contract liabilities until they are recognised as revenue when control of goods is transferred to the customers. Typical payment terms which impact on the amount of contract liabilities are set out in Note 3.

32. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES (continued)

Changes in the contract liabilities balances during the year are as follows:

	2019 HK$'000
At the beginning of the year	1,850
Cash received	1,648
Recognised as revenue	(1,850)
Exchange realignment	(71)
At the end of year	(1,577)

HK$1,850,000 of the contract liabilities as at 1 July 2018 were recognised as revenue for the year ended 30 June 2019 from performance obligations satisfied during the year.

The contract liabilities as at 30 June 2019 were expected to be recognised as revenue in the next 12 months. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contract which has an original expected duration of one year or less is not disclosed.

33. BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans, secured	108,090	116,141
Other loans, secured	50,000	10,000
	158,090	126,141

All borrowings are repayable within one year.

The effective interest rates for the bank loans is 6.53% (2018: 6.09% to 7.83%) per annum. The average effective interest rate for other loans range from 10% to 15.8% (2018: 10%) per annum.

All borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

The Group's bank loans are secured by the pledge of certain investment properties and bank deposits amounting to HK$187,260,000 (2018: HK$168,250,000) and HK$2,274,000 (2018: HK$11,851,000) respectively; and corporate guarantees from the Company and its certain subsidiaries. The other loans are secured by the pledge of certain investment properties amounting to HK$53,500,000 (2018: HK$Nil) and corporate guarantees from the Company.

34. PROMISSORY NOTES

During the prior years, the Company issued promissory notes with principal amounts of HK$42,000,000 and HK$100,000,000 as part of the considerations to acquire 100% equity interest of Pico Zeman and 49% equity interest of IDEA respectively. The promissory notes are unsecured, bear interest at 6% per annum and matured at the second anniversary from the respective dates of issue, i.e. April and May 2018.

On 30 April 2019, the Company issued promissory note with principal amount of HK$15,000,000 as the consideration to acquire 17% equity interest of Ocean Pride Ventures Limited (Note 46). The promissory note was unsecured, bear interest at 6% per annum and matured at 30 April 2021.

The promissory notes are initially recognised at their fair values at the dates of issue and subsequently measured at amortised cost using the effective interest method.

The movements of the promissory notes during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 July	**–**	23,871
Issued at fair value (Note 46)	**13,769**	–
Imputed interest	**235**	1,857
Redemption	**–**	(23,000)
Interest paid	**–**	(2,728)
At 30 June	**14,004**	–

35. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and their movements:

	Investment properties HK$'000	Accelerated tax depreciation HK$'000	Properties HK$'000	Total HK$'000
At 1 July 2017	12,551	8,917	22,796	44,264
Charged/(credited) to profit or loss (Note 11)	7,743	(2,458)	(415)	4,870
Exchange realignment	245	200	666	1,111
At 30 June 2018 and 1 July 2018	20,539	6,659	23,047	50,245
Charged/(credited) to profit or loss (Note 11)	9,866	(4,175)	(399)	5,292
Exchange realignment	(914)	(133)	(915)	(1,962)
At 30 June 2019	**29,491**	**2,351**	**21,733**	**53,575**

As at 30 June 2019, the Group has unused tax losses of HK$213,304,000 (2018: HK$191,340,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

As at 30 June 2019 and 2018, the Group's subsidiaries established in the PRC have no unremitted earnings that are subject to withholding taxes.

36. SHARE CAPITAL

	Number of shares		Nominal value	
	2019	2018	**2019**	2018
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each:				
At beginning and end of the year	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning of the year	**2,365,032**	2,351,232	**23,650**	23,512
Issue of shares on exercise of share options (Note)	**9,500**	13,800	**95**	138
At end of the year	**2,374,532**	2,365,032	**23,745**	23,650

Note:

During the year ended 30 June 2019, 9,500,000 (2018: 13,800,000) new ordinary shares of the Company of HK$0.01 each were issued upon the exercise of 9,500,000 (2018: 13,800,000) share options at an exercise price of HK$0.355 (2018: HK$0.355) per share (Note 37).

The exercise of the above share options gave rise to an aggregate proceeds of HK$3,372,000 (2018: HK$4,888,000), net of expenses, of which HK$95,000 (2018: HK$138,000) was credited to share capital and the remaining balance of HK$3,277,000 (2018: HK$4,750,000) was credited to share premium account.

The exercise of the above share options also resulted in the transfer of HK$1,532,000 (2018: HK$2,128,000) from share option reserve to share premium account.

All the new shares issued above rank pari passu in all respects with the existing shares.

37. SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a new share option scheme (the "**Scheme**") for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries of associated companies or such persons who from time to time are determined by the board of directors (the "**Board**") at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "**Participants**"), to strive for future developments and expansion of the Group. The Scheme will end on 17 December 2022.

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 235,233,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of the annual general meeting on 8 December 2017.

The following share options were outstanding under the scheme during the year:

	Weighted average exercise price 2019 HK$	**Number 2019**	Weighted average exercise price 2018 HK$	Number 2018
Outstanding at 1 July	**0.355**	**84,580,000**	0.355	113,380,000
Granted during the year	**0.108**	**162,260,000**	–	–
Forfeited during the year	**–**	**–**	0.355	(15,000,000)
Lapsed during the year	**0.355**	**(75,080,000)**	–	–
Exercised during the year	**0.355**	**(9,500,000)**	0.355	(13,800,000)
Outstanding at 30 June	**0.108**	**162,260,000**	0.355	84,580,000

37. SHARE OPTION SCHEME (continued)

During the year ended 30 June 2019, the weighted average fair value of each option granted was HK$0.05. The following information is relevant in the determination of the fair value of options granted under the Scheme operated by the Company.

	2019
Option pricing model used	Binomial lattice
Weighted average share price at grant date	0.104
Exercise price	0.108
Weighted average contractual life	2 years
Expected volatility	112%
Expected dividend rate	0%
Risk-free interest rate	1.58%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on the daily share price on the grant date of the share options.

During the year ended 30 June 2019, 162,260,000 (2018: Nil) share options were granted. Equity-settled share-based payment expenses amounted to HK$8,414,000 (2018: HK$Nil) was recognised in profit or loss accordingly. All share options were vested and exercisable with the exercise price of HK$0.108. During the year ended 30 June 2019, 9,500,000 and 75,080,000 share options were exercised and lapsed respectively. As at 30 June 2019, the Company had 162,260,000 share options outstanding under the Scheme (2018: 84,580,000).

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Interests in subsidiaries		697,488	727,906
Total non-current assets		697,488	727,906
Current assets			
Deposits and prepayments		1,091	2,856
Bank balances and cash		1,471	7,696
Total current assets		2,562	10,552
Current liabilities			
Other advances and accrued charges		1,890	1,593
Total current liabilities		1,890	1,593
Net current assets		672	8,959
Non-current liabilities			
Promissory notes		14,004	–
Total non-current liabilities		14,004	–
Total net assets		684,156	736,865
EQUITY			
Capital and reserves			
Share capital	36	23,745	23,650
Reserves	39	660,411	713,215
Total equity		684,156	736,865

39. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 July 2017	1,816,745	763,907	(1,820,390)	17,919	778,181
Loss and total comprehensive income for the year	–	–	(69,716)	–	(69,716)
Exercise of share options	6,878	–	–	(2,128)	4,750
Forfeiture of share options	–	–	2,284	(2,284)	–
At 30 June 2018 and 1 July 2018	1,823,623	763,907	(1,887,822)	13,507	713,215
Loss and total comprehensive income for the year	–	–	(64,495)	–	(64,495)
Share-based payment by granting share options	–	–	–	8,414	8,414
Exercise of share options	4,809	–	–	(1,532)	3,277
Lapse of share options	–	–	11,975	(11,975)	–
At 30 June 2019	**1,828,432**	**763,907**	**(1,940,342)**	**8,414**	**660,411**

40. NON-CONTROLLING INTERESTS

During the year ended 30 June 2018, Xin Bao has material non-controlling interests ("**NCI**"). The NCI of all other subsidiaries that are not wholly-owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCIs of Xin Bao in the respective years, before intra-group eliminations, is presented below:

2019

	Xin Bao HK$'000
STATEMENT OF FINANCIAL POSITION	
Current assets	580
Non-current assets	52,526
Current liabilities	(122,740)
Non-current liabilities	(8,803)
Net liabilities	(78,437)
Accumulated NCI	(8,142)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Revenue	–
Gain and total comprehensive income for the year	6,947
Gain allocated to NCI	372
Cash flows generated from operating activities	707
Cash flows used in financing activities	(711)
Net cash outflows	(4)

40. NON-CONTROLLING INTERESTS (continued)

2018

	Xin Bao HK$'000
STATEMENT OF FINANCIAL POSITION	
Current assets	2,551
Non-current assets	47,368
Current liabilities	(127,976)
Non-current liabilities	(7,327)
Net liabilities	(85,384)
Accumulated NCI	(8,863)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Revenue	–
Gain and total comprehensive income for the year	207
Gain allocated to NCI	283
Cash flows used in operating activities	(3,519)
Cash flows generated from financing activities	3,501
Net cash outflows	(18)

41. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of:		
Buildings	**22,756**	450

42. LEASE COMMITMENTS

As lessor

The Group leases out its investment properties under operating lease arrangements with leases negotiated for period ranging from one year to ten years (2018: one year to ten years). As at 30 June 2019, the Group had contracted with tenants for the following future minimum lease payments receivable:

	2019	2018
	HK$'000	HK$'000
Within one year	**10,075**	10,428
In the second to fifth year inclusive	**34,962**	37,456
Over five years	**4,676**	13,712
	49,713	61,596

As lessee

The Group leases certain factory and office premises under operating lease arrangements. Leases of these properties are negotiated for an average term of two years (2018: average term of two years) and rentals are fixed over the contracted period. As at 30 June 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**2,820**	6,499
In the second to fifth year inclusive	**2,837**	1,707
	5,657	8,206

43. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

The employees of the subsidiaries of the Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in profit or loss of HK$5,668,000 (2018: HK$4,436,000) represent contributions paid/payable to these schemes by the Group in the year. As at 30 June 2019, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2018: Nil).

44. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in these financial statements, the Group did not have other material transactions with related parties.

Members of key management personnel of the Group during the year comprised only of the directors whose remuneration is set out in Note 9.

45. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

Capital structure of the Group comprises equity plus debts raised by the Group, including borrowings and promissory notes, net with bank balances and cash. The Group's management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debts. No change was made in the objectives, policies or processes for managing capital during the year ended 30 June 2019.

The net debt to equity ratio at the end of reporting period was as follows:

	2019 **HK$'000**	2018 HK$'000
Debts	**172,094**	126,141
Less: bank balances and cash	**(60,038)**	(92,212)
Net debts	**112,056**	33,929
Total equity	**1,122,244**	1,408,706
Net debt to equity ratio	**10.0%**	2.4%

46. ACQUISITION OF ASSOCIATES

During the year ended 30 June 2019, the Group completed the acquisition of 17% equity interests in Ocean Pride and its subsidiaries (collectively the "**Ocean Pride Group**") at an aggregate nominal consideration of HK$15,000,000 which was satisfied in promissory notes of HK$15,000,000 in favour of the vendor by the Company upon the date of completion of acquisition.

The fair values of the consideration and identifiable assets and liabilities of the Ocean Pride Group attributable to the Group, as at the completion date of the acquisition, are as below:

	HK$'000
Fair value of consideration:	
Promissory notes issued (Note 34)	13,769
Fair value of identifiable assets and liabilities of Ocean Pride Group attributable to the Group	(8,777)
Goodwill	4,992

Further details are set out in the Company's announcements dated 8 March 2019 and 30 April 2019.

47. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORIES

The carrying amounts of the Group's financial assets and liabilities as recognised at 30 June 2019 and 2018 are analysed into the following categories.

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost		
– Debtors, other loans and receivables and deposits	223,494	229,804
– Bills receivable	4,261	14,310
– Pledged bank deposits	2,274	11,851
– Bank balances and cash	60,038	92,212
Financial assets at FVTPL		
– Equity investments	26,699	59,522
– Derivative financial assets	24	–
Financial liabilities		
Financial liabilities at amortised cost		
– Creditors, other advances and accrued charges	59,822	77,514
– Borrowings	158,090	126,141
– Promissory notes	14,004	–
Financial liabilities at FVTPL		
– Derivative financial liabilities	–	67

48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and liabilities that:

– are offset in the Group's consolidated statement of financial position; or

– are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("**HKSCC**"), the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC on the same settlement date and the Company intends to set off on a net basis.

(a) Financial assets subject to offsetting, enforceable master netting arrangement or similar arrangements

As at 30 June 2019

Type of financial assets	Gross amount of recognised financial assets HK$'000	Gross amount of recognised financial liabilities offset in the statement of financial position HK$'000	Net amount of financial assets presented in the statement of financial position HK$'000	Related amounts not offset in the statement of financial position: Collateral received HK$'000	Related amounts not offset in the statement of financial position: Financial instruments HK$'000	Net amount HK$'000
Trade receivables due from clearing houses	–	–	–	–	–	–

As at 30 June 2018

Type of financial assets	Gross amount of recognised financial assets HK$'000	Gross amount of recognised financial liabilities offset in the statement of financial position HK$'000	Net amount of financial assets presented in the statement of financial position HK$'000	Related amounts not offset in the statement of financial position: Collateral received HK$'000	Related amounts not offset in the statement of financial position: Financial instruments HK$'000	Net amount HK$'000
Trade receivables due from clearing houses	510,603	(509,842)	761	–	–	761

48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangement or similar arrangements

As at 30 June 2019

Type of financial liabilities	Gross amount of recognised financial liabilities HK$'000	Gross amount of recognised financial assets offset in the statement of financial position HK$'000	Net amount of financial liabilities presented in the statement of financial position HK$'000	Related amounts not offset in the statement of financial position: Collateral received HK$'000	Related amounts not offset in the statement of financial position: Financial instruments HK$'000	Net amount HK$'000
Trade payables due to clearing houses	–	–	–	–	–	–

As at 30 June 2018

Type of financial liabilities	Gross amount of recognised financial liabilities HK$'000	Gross amount of recognised financial assets offset in the statement of financial position HK$'000	Net amount of financial liabilities presented in the statement of financial position HK$'000	Related amounts not offset in the statement of financial position: Collateral received HK$'000	Related amounts not offset in the statement of financial position: Financial instruments HK$'000	Net amount HK$'000
Trade payables due to clearing houses	509,842	(509,842)	–	–	–	–

49. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 30 June 2019, the Group and certain independent third parties entered into sale and purchase agreements, pursuant to which the Group agreed to dispose of and the independent third parties agreed to purchase certain investment properties of the Group at an aggregate consideration of HK$13,700,000. As at 30 June 2019, the disposal of the investment properties has not been completed and these investment properties were classified as held for sale and measured at fair value at HK$13,119,000 (2018: HK$Nil).

50. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Interest payable on borrowings# HK$'000	Borrowings HK$'000	Promissory notes HK$'000	Total HK$'000
At 1 July 2018	433	126,141	–	126,574
Changes from cash flows:				
Proceeds from new bank loans	–	109,283	–	109,283
Repayment of bank loans	–	(112,734)	–	(112,734)
Proceeds from other loans	–	40,000	–	40,000
Interest paid	(13,647)	–	–	(13,647)
Total changes from financing cash flows:	(13,647)	36,549	–	22,902
Exchange differences	–	(4,600)	–	(4,600)
Other changes:				
Issue of promissory notes	–	–	13,769	13,769
Imputed interest on promissory notes	–	–	235	235
Interest expenses	13,214	–	–	13,214
Total other changes	13,214	–	14,004	27,218
At 30 June 2019	–	158,090	14,004	172,094

50. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Interest payable on borrowings# HK$'000	Borrowings HK$'000	Promissory notes HK$'000	Total HK$'000
At 1 July 2017	–	97,904	23,871	121,775
Changes from cash flows:				
Proceeds from new bank loans	–	165,315	–	165,315
Repayment of bank loans	–	(149,670)	–	(149,670)
Proceeds from other loans	–	10,000	–	10,000
Redemption of promissory notes	–	–	(23,000)	(23,000)
Interest paid on promissory notes	–	–	(2,728)	(2,728)
Interest paid	(8,006)	–	–	(8,006)
Total changes from financing cash flows:	(8,006)	25,645	(25,728)	(8,089)
Exchange differences	–	2,592	–	2,592
Other changes:				
Imputed interest on promissory notes	–	–	1,857	1,857
Interest expenses	8,439	–	–	8,439
Total other changes	8,439	–	1,857	10,296
At 30 June 2018	433	126,141	–	126,574

Interest payable on borrowings is included in creditors, other advances and accrued charges as presented in the consolidated statement of financial position.

PARTICULARS OF PROPERTIES

Properties held for investment	Type	Lease term
Flat A, B, C, D, E, F, G, H, I, J, K & L on each of 11th Floor and 15th Floor, Ping On Court, Peace Plaza, Shangzhong Yuan Road, Changping Town, Dongguan City, Guangdong Province, the PRC	Residential	Medium
A factory complex erected on a parcel of land known as Lot No. 1924130100054 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Qiaozi Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Butian, Tangjiao District, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
Workshop 7 on 2nd Floor and Car Park No. L5 on 1st Floor Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong	Industrial	Medium
A factory complex erected on a parcel of land known as Lot No. Zhujiajiao Town 3-1 Qiu, located at No. 6118 of Huqingping Highway, Zhujiajiao Town, Qingpu District, Shanghai, the PRC	Industrial	Medium

FINANCIAL SUMMARY

RESULTS

The Group

	Year ended 30 June 2019 HK$'000	Year ended 30 June 2018 HK$'000	Year ended 30 June 2017 HK$'000	Year ended 30 June 2016 HK$'000	Year ended 30 June 2015 HK$'000
Turnover	**317,134**	395,380	442,522	740,979	782,197
Loss before taxation	**(297,291)**	(80,307)	(71,743)	(272,020)	(366,304)
Taxation	**(5,545)**	(5,368)	(7,166)	(4,981)	(3,095)
Loss for the year	**(302,836)**	(85,675)	(78,909)	(277,001)	(369,399)
Loss attributable to:					
Owners of the Company	**(301,963)**	(85,639)	(70,197)	(274,945)	(370,292)
Non-controlling interests	**(873)**	(36)	(8,712)	(2,056)	893
	(302,836)	(85,675)	(78,909)	(277,001)	(369,399)

ASSETS AND LIABILITIES

	At 30 June 2019 HK$'000	At 30 June 2018 HK$'000	At 30 June 2017 HK$'000	At 30 June 2016 HK$'000	At 30 June 2015 HK$'000
Total assets	**1,401,161**	1,654,087	1,728,442	1,788,873	1,771,053
Total liabilities	**(287,140)**	(254,059)	(258,582)	(365,883)	(226,510)
	1,114,021	1,400,028	1,469,860	1,422,990	1,544,543
Attributable to:					
Owners of the Company	**1,122,244**	1,408,706	1,478,244	1,414,044	1,532,849
Non-controlling interests	**(8,223)**	(8,678)	(8,384)	8,946	11,694
	1,114,021	1,400,028	1,469,860	1,422,990	1,544,543