Paladin Limited

(incorporated in Bermuda with limited liability)

Stock Code : 495

Contents

Corporate Information

DIRECTORS

Executive Director:
Oung Shih Hua, James *(Chairman)*

Non-executive Directors:
Chan Chi Ho
Yuen Chi Wah

Independent Non-executive Directors:
Au Chik Lam Alexander
Liu Man Kin Dickson
Luo Rongxuan

COMPANY SECRETARY

Chan Chi Ho

AUDITOR

RSM Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited
Industrial and Commercial Bank of China (Asia) Limited

SOLICITORS

Gall
David Norman & Co.

PRINCIPAL REGISTRARS

Estera Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

REGISTRARS IN HONG KONG

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL OFFICE

Suite 705, 7th Floor, Sun Life Tower,
The Gateway,
Harbour City,
Tsim Sha Tsui,
Kowloon,
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

AUDIT COMMITTEE

Liu Man Kin Dickson *(Chairman)*
Au Chik Lam Alexander
Chan Chi Ho
Luo Rongxuan

NOMINATION COMMITTEE

Oung Shih Hua, James *(Chairman)*
Au Chik Lam Alexander
Luo Rongxuan
Liu Man Kin Dickson

REMUNERATION COMMITTEE

Liu Man Kin Dickson *(Chairman)*
Au Chik Lam Alexander
Luo Rongxuan
Oung Shih Hua, James

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are property investment and research and development of high technology system and applications.

BUSINESS REVIEW AND PROSPECTS

The Group recorded a loss of approximately HK$65 million as compared to a profit of approximately HK$12 million for the corresponding period in 2018. Such loss is mainly due to (1) fair value gains on the Group's investment properties decreased from approximately HK$63 million in 2018 to approximately HK$15 million in 2019; (2) increase in share option expenses of approximately HK$12 million attributable to the share options granted by the Company in November 2018; and (3) increase in operating expenses of approximately HK$33 million for high technology business.

Properties investment

Turnover of the Group for the year ended 30 June 2019 comprising rental income from its investment properties amounted to approximately HK$8 million (2018: HK$8 million).

The Group will continue to seek and explore investment opportunities to strength its investment portfolios.

Development of high technology products

Considerable progress has been made during the financial year under review in the Group's development of the next generation technology for a number applications involving imaging, surveillance, navigation and advanced semi-conductor processing. The technology division of the Group now comprises six operations in six countries employing about 85 research and development engineers. To date the Group, together with the Finnish Funding Agency for Technology and Innovation which has matched our investment in our Finnish operations, has invested around HK$140 million and further substantial investment is anticipated in the coming years. It is expected that sales of a number of technological products or systems developed by the Group will continue or will have commenced sales in the current financial year and we are aiming that by the calendar year 2024 our technology division will be generating sales of US$100 million.

Each of the subsidiaries or associate of the Company in our technology division is engaged in the following are of technological development:

- Pexray Oy – 75.9% held, based in Espoo, Finland and intends to set up a manufacturing facility in Vietnam in the near future. Pexray Oy is engaged in the development of portable x-ray imaging systems used in inspection devices for security and counter-intelligence applications in such areas on baggage scanning, border control and customs, the detection of explosive devices, forensic investigation and security at large scale sporting and other events.

- Dynim Oy – 70% held, based in Oulu, Finland. This company is developing high dynamic range video cameras and artificial intelligences processors for machine vision applications for use in the health care and agricultural sectors, in devices to improve driver situational awareness and security cameras.

- Navigs Oy – 70% held, based in Helsinki, Finland. Navigs Oy is engaged in the development of accurate positioning and image sensing technologies to be integrated into semi-automated agricultural vehicles and advanced driver assistance systems in agricultural vehicles to achieve autonomous precision farming, and for application in marine navigation systems.

- Skyin Technology Limited – 70% held, based in Shanghai, the PRC. This company is developing three dimensional machine vision software for three dimensional industrial cameras, artificial intelligence industrial cameras and three dimensional vision software.

- Next Level A.I. Solutions, LLC – 100% held, based in California, the United States of America. Next Level is engaged in the development of ambient display solutions and advanced algorithm and software solutions for use, for example, in advanced driver assistance systems by identifying hazards in poor visibility, collision warning systems and driver awareness systems and for advanced traffic monitoring and control systems.

- Imagica Technology Inc. – 59% held, based in Vancouver, Canada. This Company is developing a series of linear image sensors for use in spectroscopy, document scanners and sensors used for a number of security applications.

Grant of options

The Company granted an aggregate of 126,000,000 options under the Company's Share Option Scheme on 9 November 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, net current assets of the Group were approximately HK$97 million. The current ratio, current assets divided by current liabilities, was 1.60. The bank balances and cash were approximately HK$251 million.

As at 30 June 2019, the Group has outstanding liabilities of approximately HK$173 million comprising (i) other payables and accruals of approximately HK$13 million, (ii) amounts due to related parties of approximately HK$15 million, (iii) secured bank borrowings of approximately HK$103 million, (iv) convertible notes of approximately HK$29 million and other borrowings of approximately HK$12 million. Secured bank borrowings are on floating interest rates basis.

The majority of the Group's assets and borrowings are denominated either in Hong Kong dollars or US dollars thereby avoiding exposure to undesirable exchange rate fluctuations. In view of the stability of the exchange rate of HK dollars and US dollars, the directors consider that the Group has no significant exposure to exchange fluctuation and does not hedge against foreign exchange risk.

The Group's bank borrowings and overdrafts were secured by leasehold land and buildings of approximately HK$195 million and a deposit placed for a life insurance policy of approximately HK$18 million.

The Group's gearing ratio, total debts divided by total assets, was approximately 15%.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2019, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2019, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed total of 96 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2018: nil).

ACKNOWLEDGEMENT

On behalf of my fellow directors, I wish to thank all staff and employees for their diligence and loyal support during the year under review.

By order of the Board
Oung Shih Hua, James
Chairman

Hong Kong
26 September 2019

Biography of Directors

EXECUTIVE DIRECTOR

Dr. Oung Shih Hua, James, aged 44, joined the Group in 1995. He holds a Bachelor of Science degree in finance and international business from New York University, a master's degree in psychology, and a Doctorate of Philosophy in applied psychology from East China Normal University. Dr. Oung is also a designated Fellow at Life Management Institute (FLMI). He is currently the chairman of a private technology company.

NON-EXECUTIVE DIRECTORS

Mr. Yuen Chi Wah, aged 59, joined the Group as the financial controller in 2007 and was appointed as non-executive director on 1 August 2014. He has over 40 years working experience in corporate finance, financial management, auditing, accounting, and acquisitions gained from certain senior related positions in an audit firm in Hong Kong, and possess extensive experience in management in the field of garments, electronic industrial and property development.

Mr. Chan Chi Ho, aged 48, first joined the Group as company secretary in 2003 and was appointed as non-executive director on 1 August 2014. Prior to joining to the Group, Mr. Chan worked in an international accounting firm and served as its audit manager. He has over 24 years of experience in accounting and financial management. Mr. Chan holds a Bachelor of Arts degree in business studies and a master's degree in corporate governance from The Hong Kong Polytechnic University. He is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He also is a member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Au Chik Lam Alexander, aged 75, joined the Group in 2015. Dr. Au holds a Bachelor of Science degree in electrical engineering from The University of California, Los Angeles, a Master of Science degree and a Doctor of Philosophy in electrical engineering from Stanford University. Dr. Au has worked in technology industries in the United States and Taiwan for many years. He currently is a founder and Chief Executive Officer of a private company.

Mr. Liu Man Kin Dickson, aged 46, joined the Group in 2015 as an independent non-executive director. He has over 24 years of experience in auditing, tax planning, management consulting and company restructuring. He is currently a sole proprietor of an audit firm and a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. Luo Rongxuan, aged 64, joined the Group in 2017 as an independent non-executive director. He graduated from Radio Department of Anhui University. Mr. Luo has over 35 years of experience in radio management. He was an engineer in Office of Radio Regulation Committee in Anhui Province and the head of the radio monitoring station, and then he was a director of the infrastructure division of Anhui Economic and Information Technology Commission. He worked at Anhui Economic and Information Technology Commission as a director of the private enterprise division before his retirement in 2014.

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company. During the year ended 30 June 2019, the Company has complied with all the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for certain deviations disclosed herein.

The Company periodically reviews its corporate governance practices to ensure that they continuous meeting the requirements of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the year ended 30 June 2019.

BOARD OF DIRECTORS

The Board comprises one executive director, two non-executive directors and three independent non-executive directors. The names and biographical details of the directors of the Company and the relationship amongst them, if any, are set out in the section "Biography of Directors" of this annual report.

The composition of the Board represents a mixture of expertise specializing in management, property market industry, electronics industry, accounts and finance and corporate development. All of the Directors have comprehensive qualifications and experience in and exposure to diversified businesses which is beneficial to the business development 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 or director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matter 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.

The Board is also entrusted with the overall responsibility of developing, maintaining and reviewing sound and effective corporate governance policies within the Group and is committed to ensuring that an effective corporate governance is put in place to continuously review and improve the corporate governance practices within the Group.

There are agreed procedures for the directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

Independent non-executive directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgment. At least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each independent non-executive director a written annual confirmation of independence. All the independent non-executive directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the internal control system of the Group. Apart from these regular meetings, Board meetings are also held to approve major or special issues.

During the year ended 30 June 2019, five Board meetings, the annual general meeting for the year 2018 ("AGM") were held with details of the directors' attendance set out below:

	Attendance/ Number of meetings	
	Board meetings	**AGM**
Executive director		
Oung Shih Hua, James	5/5	0/1
Non-executive directors		
Chan Chi Ho	4/5	1/1
Yuen Chi Wah	5/5	1/1
Independent non-executive directors		
Au Chik Lam Alexander	3/5	0/1
Liu Man Kin Dickson	4/5	1/1
Luo Rongxuan	1/5	0/1

Code provision A.6.7 requires that the independent non-executive director and the non-executive director should attend the general meetings of the Company. However, due to other business commitments, certain independent non-executive directors were unable to attend the AGM.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Dr. Oung Shih Hua, James is the Chairman of the Company and the Company currently does not appoint any new Chief Executive Officer. In the opinion of the Board, Dr. Oung temporarily acts as the role of the Chief Executive Officer. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. However, the Company will review the current structure as and when it becomes appropriate in future.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Although the non-executive directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-laws.

The Company will review the current bye-laws as and when it becomes appropriate in future.

The Board has established a nomination committee to review the structure, size and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new directors is reserved for the Board's approval.

The nomination committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The nomination committee takes into account of that person's skill, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

According to the Bye-Laws of the Company, a newly appointed director shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at that general meeting.

In addition, at each annual general meeting one-third of the Directors (those appointed in that year shall not be counted in determining the number of directors), for the time being or if their number is not a multiple of three, the number nearest to one-third, shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

The Company has arranged appropriate insurance cover in respective of legal action against the directors and senior officers.

NOMINATION COMMITTEE

Nomination committee currently consists of the Chairman of the Company, Dr. Oung Shih Hua, James, and three independent non-executive directors, being Dr. Au Chik Lam Alexander and Mr. Liu Man Kin Dickson and Mr. Luo Rongxuan. Dr. Oung Shih Hua, James is the chairman of the nomination committee. The terms of reference of the nomination committee are available on the respective websites of the Company and the Stock Exchange.

The main duties and responsibilities of the nomination committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board, identify individuals suitably qualified to become Board members and 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.

Code provision A.5.6 requires that the nomination committee should have a policy concerning diversity of board members.

The Company does not consider it necessary to have a policy concerning diversity of board members. Board appointments are based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. While the Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives, the Company does not consider a formal board diversity policy will provide measurable benefits to enhance the effectiveness of the Board.

One nomination committee meeting was held during the year ended 30 June 2019 to, inter alia, review the structure, size and composition of the Board; assessed the independence of the independent non-executive directors; and reviewed and made recommendation to the Board on re-election of retiring directors. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Oung Shih Hua, James *(Chairman)*	1/1
Au Chik Lam Alexander	1/1
Liu Man Kin Dickson	0/1
Luo Rongxuan	0/1

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered. The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including recommendations from the Board members and the shareholders of the Company;

(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

(3) reviewing the profiles of the shortlisted candidates and interview them; and

(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

REMUNERATION COMMITTEE

The Remuneration Committee currently consists of three independent non-executive directors namely Mr. Liu Man Kin Dickson, Dr. Au Chik Lam Alexander and Mr. Luo Rongxuan and one executive director namely Dr. Oung Shih Hua, James. Mr. Liu Man Kin Dickson is the Chairman of the remuneration committee. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company. The terms of reference of the remuneration committees are available on the respective websites of the Company and the Stock Exchange.

No remuneration committee meeting was held during the year ended 30 June 2019.

AUDIT COMMITTEE

An audit committee currently consists of three independent non-executive directors, being Mr. Liu Man Kin Dickson, Dr. Au Chik Lam Alexander, Mr. Luo Rongxuan and one non-executive director, Mr. Chan Chi Ho. Mr. Liu Man Kin Dickson is the chairman of the audit committee. Amongst the audit committee members, Mr. Liu has the appropriate professional qualification and experience in financial matters as required by Rule 3.21 of the Listing Rules.

The main duties and responsibilities of the audit committee are to review the Company's financial information such as the interim and annual results, financial reporting principles and practices; to recommend the appointment and reappointment or removal of the external auditor; to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor; to oversee the financial reporting system and the internal control and risk management system of the Company. The terms of reference of the audit committee are available on the respective websites of the Company and the Stock Exchange.

Two audit committee meetings were held during the year ended 30 June 2019. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Liu Man Kin Dickson *(Chairman)*	2/2
Au Chik Lam Alexander	2/2
Chan Chi Ho	2/2
Luo Rongxuan	0/2

During the year ended 30 June 2019, the Audit Committee met mainly to review the Company's annual report for the year ended 30 June 2018, the Company's interim report for the six months ended 31 December 2018, the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the internal control system and related issues.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. 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 statement of the external auditors of the Company regarding their reporting responsibilities on the financial statement of the Company is set out in the Independent Auditor's Report of this annual report.

DIVIDEND POLICY

The Board adopted a dividend policy of the Company (the "Dividend Policy") as follows:

The Board will meet semi-annually to consider and declare interim/final dividends, if any. The Board may also declare special dividends from time to time in addition to the interim/final dividends.

On consideration of any dividend, the Board will take into account the Company's distributable reserves, the Group's performance, liquidity position, expected working capital requirements, future prospects and other factors that the Board deems relevant, provided that payment of proposed dividend will not affect operations of the Group. The declaration and payment of dividend is subject to any applicable restrictions under the laws of Bermuda, the Bye-laws of the Company, the Listing Rules and any applicable laws, rules and regulations.

The Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

There is no assurance that any particular amount of dividend will be paid for any given period.

INDUCTION AND PROFESSIONAL DEVELOPMENT

Every newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his appointment to make sure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities in the Company.

During the year under review, 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. Respective seminars will be provided by Tang Tso & Lau, Solicitors, on the topics relating to the roles, functions and duties of the directors were organized so as to update and develop the Board members' expertise.

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.

Below is a summary of training received by Directors for the year ended 30 June 2019:

	Attending seminars/ in-house training on regulatory development or directors' duties
Executive Director	
Oung Shih Hua, James	✓
Non-executive directors	
Chan Chi Ho	✓
Yuen Chi Wah	✓
Independent Non-executive Directors	
Au Chik Lam Alexander	✓
Liu Man Kin Dickson	✓
Luo Rongxuan	✓

COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He 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.

During the year under review, the company secretary has attended relevant professional seminars to update his skills and knowledge. He met the training requirement set out in Rule 3.29 of the Listing Rules.

EXTERNAL AUDITOR AND THEIR REMUNERATION

The Company's external auditor is RSM Hong Kong. The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this Annual Report. The independence of the external auditor is monitored by the audit committee which is also responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration.

For the year ended 30 June 2019, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	HK$'000
Audit services	600
Non-audit services	150
Total	750

INTERNAL CONTROL

The Board is of the opinion that a sound internal control system will help achieving the Group's business objectives, safeguarding the Group's assets, contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

The Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the Executive Directors. During the processes, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Various guidelines and procedures have been established for the approval and control of operating expenses, capital expenditures, project investments, unbudgeted items and acquisitions.

The executive directors review monthly management reports and hold periodical meetings with the senior operational and finance management to discuss business performance, budget variances, forecasts, market outlooks, and to address any accounting and finance related matters.

The Board acknowledges its responsibility for the Group's system of internal controls and for reviewing its effectiveness through the audit committee. The Group has also engaged an independent advisor to conduct various agreed reviews over the Group's internal control system in order to assist the Board in reviewing the effectiveness of the internal control system of the Group. The reviews are aimed to cover all material controls, including financial, operational and compliance controls and risk management functions of the Group. The report from the independent advisor has been presented to and reviewed by the Audit Committee and the Board. Appropriate recommendations for further enhancing the internal control system have been adopted.

SHAREHOLDERS' RIGHTS

(I) Convene a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a special general meeting ("SGM") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the company secretary will ask the Board to convene a SGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after expiration of three months from the said date of deposit of the requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

(II) Send Enquiries to the Board

The Company's corporate website provides email address, postal address, fax number and telephone number by which shareholders may at any time address their concerns or enquiries to the Company's Board.

INVESTOR RELATIONS

During the year ended 30 June 2019, there has not been any change in the Company's constitutional documents.

In accordance with the requirements set forth in Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Guide") of the Listing Rules, the Group hereby presents the Environmental, Social and Governance report for the year ended 30 June 2019.

The Board is responsible for the Group's Environmental, Social and Governance ("ESG") strategy and reporting including evaluating and determining ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Group has engaged the management and staff of the Group across the Group's key subsidiaries and functions to review their operations to identify relevant ESG issues to the Group. ESG issues which are considered as material to the Group' as well as to the internal key stakeholders are included in this ESG report.

A. ENVIRONMENTAL

The Group has established environmental policies for the Group's employees which covered the material environmental issues including emissions, use of resources and other environmental impact as described in the sections below. The Group also comply with relevant environmental laws and regulations and did not note any cases of material non-compliance during the year ended 30 June 2019.

A1 Emissions

A1.1 Air Emissions

Emissions Data from Gaseous Fuel Consumption

As the Group is principally engaged in property investment and high technology system and its application, towngas and liquefied petroleum gas consumed in the office are considered insignificant. Accordingly, emission data in this respect is not disclosed after assessment of materiality.

Emissions Data from Vehicles

Emissions from operations are mainly generated from vehicles of the Group. For the purpose of complying with the disclosure requirements under the ESG Guide, details of air emissions data for the year ended 30 June 2019 are shown as follows:

Type of emissions	**Unit**	**2019**	2018
Nitrogen oxides (NO_x)	Kg	**5.6**	5.5
Sulphur oxides (SO_x)	Kg	**0.2**	0.1
Particulate matter (PM)	Kg	**0.4**	0.4

A1.2 Greenhouse Gas Emissions

With reference to HKEX Guidance Document, greenhouse gas ("GHG") emissions (direct and indirect) can be broadly classified into the following separate scopes:

Scope 1 – Direct emissions from operations that are owned or controlled by the Group. The main source of direct emission is consumption of gasoline by vehicles controlled by the Group;

Scope 2 – Energy indirect emissions resulting from the electricity purchased; and

Scope 3 – Other indirect emissions that occur outside the reporting entity, including upstream and downstream emissions.

The main source of the GHG emissions, measured in terms of carbon dioxide equivalent ("CO_2e"), arising from our business activities for the year ended 30 June 2019 is mainly the consumption of gasoline and electricity purchased from power companies. Other indirect emissions under Scope 3 that occur outside the Group are not significant and accordingly such emission data are not produced in this report.

GHG emissions data for the year ended 30 June 2019 are as follows:

			CO_2e emissions	
		Unit	**2019**	2018
Scope 1	Gasoline consumed by vehicles	Ton	**22**	22
Scope 2	Electricity purchased	Ton	**156**	109
	Total		**178**	131

The Group adopted green office practices to reduce the impact on the environment and internet meeting are encouraged to avoid unnecessary travel.

A1.3 Hazardous Waste

No significant hazardous wastes and pollutants such as hazardous chemicals are discharged due to its business nature and accordingly such emissions data are not produced in this report.

A1.4 Non-hazardous Waste

In view of the business nature of the Group and also the measures being taken by the Group to mitigate non-hazardous as more described in Section A1.6 below, non-hazardous wastes produced such as paper waste and water waste are insignificant.

A1.5 Measures to Mitigate Emissions

The main source of emissions of the Group is the use of energy. The Group has developed various energy-saving initiatives to reduce its emissions. Please refer to the Section A2 "Use of Resources" below for details.

A1.6 Measures to Mitigate Non-hazardous Waste

The Group, has managed to keep their level of non-hazardous waste low as a result of the Group's policy in reducing wastes. In order to reduce paper waste, the Group advocates the policy "Reduce, Reuse and Recycle", and encourages its staff to reduce paper usage and recycle paper waste where possible.

A2 Use of Resources

A2.1 Energy Consumption

Direct and/or indirect energy consumed for the year ended 30 June 2019 are as follows:

Type	Unit	Total consumption		Intensity per employee	
		2019	2018	**2019**	2018
Gasoline	Litre	**9,380**	9,214	**98**	307
Electricity purchased	Kwh	**156,054**	109,378	**1,626**	3,646

A2.2 Water Consumption

The Group operated in a leased office premises of which both of the water supply and discharge are solely controlled the respective building management which considered that provision of water withdrawal and discharge data for individual occupant is not feasible. In addition, no significant water consumed by the Group due to its business nature and accordingly such data is not produced in this report.

A2.3 & A2.4 Energy and Water Efficiency Initiatives

To reduce the Group's negative impact on the environment, the Group sets out policy for effective use of resources in order to protect the environment and make its business operations more cost-efficient. The Group has implemented green office practices in order to minimise the use of resources like paper, electricity and water, wherever possible.

The Group's green measures include double-sided printing, the use of energy-saving lightings such as light-emitting diode lightings, and reducing energy consumption by switching off idle lightings, computers and electrical appliances, etc.

In order to reduce consumption of paper, collection boxes have been put in place to collect single-side used papers for reuse as draft papers and other scrap papers for recycling.

To avoid unnecessary water consumption from daily operation, we promote staff behavior by employees to always turn taps off tightly and give priority to effective water-saving products.

A2.5 Packaging Material

In view of our business nature, the packaging material used is not significant and therefore disclosure relating to data on these aspects is not made in this report.

A3 The Environment and Natural Resources

The Group recognises the responsibility in managing the Group's impact on the environment. For this reason, the Group has adopted series of initiatives as set out above in order to minimise emissions and consumption of energy and resources. The Group closely monitors the utilisation of resources and shall take appropriate actions to seek opportunities for increasing operating efficiency in order to reduce the consumption on non-renewable resources where possible. The Group shall assess the environmental risks of the Group's operations and ensure the Group's compliance with relevant laws and regulations from time to time. During the year ended 30 June 2019, the Group did not recognise any significant impact of its activities on the environment and natural resources.

B. SOCIAL

B1 Employment

Employees are the greatest asset of the Group. The Group strives to attract, recruit, retain and train its employees. The Group is in compliance with the relevant labour laws and regulations in Hong Kong.

The Group recognises the importance of maintaining a stable staff force for its continued success. Staff remuneration is determined by reference to personal qualifications, performance, relevant experience, responsibilities and market trends. Our benefits including share options, subsidised medical care, pension funds and sponsorship for external education and training programmes are offered to employees.

The Group respects cultural diversity and is committed to providing a working environment which is free from all forms of discrimination (i.e. age, religion, gender, pregnancy, marital status, disability, family status and race). Therefore, any employee dismissal due to discrimination or unlawful reasons is forbidden in the Group. Besides, opportunities for hiring, training and promotion are equal and open to all qualified candidates or employees and the Group has developed a systematic and objective evaluation mechanism to assess their performance based on qualifications, work experience, skills and abilities.

The Group strives to maintain the work-life balance of its employees by establishing fair and reasonable working hours and leave policy to ensure employees have sufficient time for rest and leisure.

The Group did not note any cases of material non-compliance regarding the Group's labour practices during the year ended 30 June 2019.

B2 Health and Safety

Although our operation is predominantly office-based, we adhere to Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong) and other applicable laws and regulations to provide a safe and healthy workplace in order to protect our employees from occupational hazards. The Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact to the Group in providing a safe working environment and protecting employees from occupational hazards during the year ended 30 June 2019.

As employees are our most important asset and resource, the primary goal is to provide a safe and healthy working environment for the employees under reasonable and practicable conditions. We committed to achieve this goal by implementing the following key measures:

– Providing and maintaining in all workplaces under the Group's control a working environment which is safe and poses no threat to health

– Carry out inspection for any unsafe condition and fix it immediately

– Smoking is prohibited in all enclosed areas within the offices

With the above measures, we have no work-related fatal or work-related injury during the year ended 30 June 2019.

B3 Development and Training

The Group strives to improve employee's knowledge and skills for discharging their duties at work and to make them valuable assets to the Group. For this reason, vocational training courses are provided to the employees. The Group also sponsors the employees for external training courses.

B4 Labour Standards

Anti-Child and Forced Labour

The Group strictly prohibits the use of child and forced labour in the Group's operations or activities. The Group's operations strictly comply with local labour laws and regulations. Forcing labour to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. Employment of any person who is under the age as set forth by the local labour law is prohibited. The Group formally requires all job applicants to present their identity cards when they attend recruitment interviews.

The Group did not note any cases of material non-compliance with laws and regulations in relation to labour standards during the year ended 30 June 2019.

B5 Supply Chain Management

Our suppliers mainly comprise of general office supplies suppliers, for example, water, paper and stationery. We generally select suppliers based on their scale of business and reputation. Our suppliers should comply with all relevant local and national laws and regulations in relation to unethical behaviour, bribery, corruption and other prohibited business practices. When a supplier is found to be inconsistent with our policy or contractual requirements, we will terminate future cooperation until the situation has been improved.

For the year ended 30 June 2019, we do not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

B6 Product Responsibility

Services

The Group strives to provide its customers with high-quality services, treating customers with a sincere and respectful attitude. Professional teams proactively collect and listen to the opinions of tenants and users, responding properly and providing support services. In addition, customer service performance is reviewed periodically to improve service quality.

Data Privacy

The Group understands the importance of data privacy. The Group is committed to protecting the privacy of its customers in the collection, processing and use of their personal data. The Group has adopted policies on consumer data protection in compliance with relevant laws and regulations. Training courses on data privacy and protection of data have been conducted. The Group did not note any cases of material non-compliance in relation to data privacy during the year ended 30 June 2019.

B7 Anti-corruption

We commit to stringent compliance with the Prevention of Bribery Ordinance ("POBO") enforced by the Independent Commission Against Corruption ("ICAC") in order to maintain a fair and just society. As the cornerstone of our corporate culture, we attach great emphasis to maintaining the highest standards of integrity and honesty. We adopt our zero-tolerance policy for misconduct. We have no hesitation to adopt disciplinary actions upon any proven misconduct case. We did not receive any whistleblowing disclosures for the year ended 30 June 2019. There was no significant risks relating to corruption have been identified.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the Group relating to bribery, extortion, fraud and money laundering for the year ended 30 June 2019.

B8 Community Investment

Being a responsible corporate citizen, we are constantly aware of the community needs and take up our corporate responsibility with best efforts to make contribution to the community by encouraging our employees to contribute their time and efforts in various local community projects in the regions.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and the analysis of the Group's performance for the year ended 30 June 2019 as well as prospects of the Group's business are provided in the "Chairman's Statement" of this Annual Report.

Principal risks and uncertainties

There are a number of factors affecting the results and business operations of the Group, some of which are inherent in the market and some are due to external environment. Major risks and uncertainties are summarised as follows:

– Business Risk

  The prospects of the Group's property business depend on the performance of the property market in Hong Kong. Any real estate market downturn in Hong Kong may materially and adversely affect the financial position, operations, businesses and prospects of the Group and may lead to fair value loss of the Group's investment properties. The real estate market in Hong Kong is affected by many factors, including but not limited to, changes in Hong Kong's economic, political, social and legal environment and changes in Hong Kong's fiscal and monetary policy, all of which are beyond the control of the Group.

– Market Risk

  The Group's property investment business is operating in a rather competitive environment as rental rate of properties are transparent in property leasing markets in Hong Kong. The transparency of the leasing markets put pressure on the revenue and profitability of the Group's property investment business.

The Group's other financial risks and uncertainties are set out in notes 6 and 5 to the consolidated financial statements respectively.

Particulars of important events

No important events affecting the Group have occurred since the end of the year.

Financial key performance indicators

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in the "Chairman's Statement" of this Annual Report.

Environmental policies and performance

The details of social responsibilities and environmental policies are set out in the "Environmental, Social and Governance Report" of this annual report.

Compliance with the relevant laws and regulations

As far as the Board and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the businesses and operations 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.

Relationship with employees and customers

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate, medium and long term business goals. During the year under review, there were no significant dispute between the Group and its employees and customers.

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 page 36.

SHARE CAPITAL

Details of movements in the Company's issued share capital and share options during the year are set out in notes 31 and 34 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group during the year are set out in note 19 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property and equipment of the Group during the year are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution to Shareholders as at 30 June 2019 was the accumulated profits of HK$362,265,000.

MAJOR SUPPLIERS AND CUSTOMERS

The Group did not have any purchases and suppliers during the year and at the end of the reporting period. During the year, both the aggregate revenue attributable to the five largest customers and the largest customer of the Group were 100% of the revenue arising from the investment properties the Group. The major customer is an independent party to the Company during the year.

To the knowledge of the Directors, none of the directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive director:

Oung Shih Hua, James

Non-executive directors:

Chan Chi Ho
Yuen Chi Wah

Independent non-executive directors:

Au Chik Lam Alexander
Liu Man Kin Dickson
Luo Rongxuan

In accordance with the provisions of the Company's Bye-laws, Messrs. Oung Shih Hua, James and Luo Rongxuan retire and, being eligible, offer themselves for re-election.

The term of office for each non-executive director or independent non-executive director, is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

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

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the interests and short positions of the directors of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") were as follows:

Long positions in the shares and underlying shares of the Company:

Name of director	Capacity	Number of ordinary shares held	Number of underlying shares – share options*	Total	Percentage of interest
Oung Shih Hua, James	Beneficial owner	15,724,999	39,772,190	55,497,189	3.86%
Chan Chi Ho	Beneficial owner	–	39,772,190	39,772,190	2.76%
Yuen Chi Wah	Beneficial owner	–	39,772,190	39,772,190	2.76%

* These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the Share Option Scheme.

Other than as disclosed above, as at 30 June 2019, none of the directors, chief executive of the Company nor their associates had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the persons (other than the directors of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the shares and underlying shares of the Company:

Name of Shareholder	Capacity	Number of Ordinary Shares held	Number of underlying shares – share options	Number of underlying shares – convertible notes	Total	Percentage of interest
Basurto Holdings Limited *(Note a)*	Interest of a controlled corporation	508,848,531	–	–	508,848,531	35.37%
Cityguard Holdings Limited *(Note b)*	Beneficial owner	508,848,531	–	–	508,848,531	35.37%
Five Star Investments Limited *(Note c)*	Interest of a controlled corporation	508,848,531	–	–	508,848,531	35.37%
Gold Seal Holdings Limited *(Note d)*	Beneficial owner	309,388,211	–	228,605,681	537,993,892	37.39%
Next Level Corporate Limited *(Note e)*	Other *(Note e)*	508,848,531	–	–	508,848,531	35.37%
Mr. Oung Da Ming	Beneficial owner	75,000,000	39,772,190	15,000,000	129,772,190	9.02%
	Interest of a controlled corporation *(Note a)*	508,848,531	–	–	508,848,531	35.37%
	Interest of a controlled corporation *(Note d)*	309,388,211	–	228,605,681	537,993,892	37.39%
		893,236,742	39,772,190	243,605,681	1,176,614,613	81.78%
Ms. Hsu Ong Hsiao Ling	Beneficial owner	–	39,772,190	–	39,772,190	2.76%
	Interest of a controlled corporation *(Note d)*	309,388,211	–	228,605,681	537,993,892	37.39%
		309,388,211	39,772,190	228,605,681	577,766,082	40.15%

Notes:

(a) Basurto Holdings Limited is held by Mr. Oung Da Ming on trust for the estate of his deceased mother, Ms. Oung Chin Liang Fung (as to 67%) and his sister, Ms. Lilian Oung (as to 33%).

(b) Cityguard Holdings Limited, is a wholly-owned subsidiary of Five Star Investments Limited.

(c) Five Star Investments Limited is directly and individently (through Basurto Holdings Limited) owned as to 67% by the estate of Ms. Oung Chin Liang Fung, grandmother of Dr. Oung Shih Hua, James, and 33% by Ms. Lilian Oung, his aunt. See note (a) above.

(d) Gold Seal Holdings Limited is owned as 33.33% by Mr. Oung Da Ming and 67.67% by his sister, Ms. Hsu Ong Hsiao Ling.

(e) Next Level Corporate Limited is owned as 25% by Mr. Oung Da Ming, 25% by his son, Mr. Oung Shih How, 25% by Dr. Oung Shih Hua, James, and 25% by Anglo Chinese Nominees, Limited which holds its shares in Next Level Corporate Limited as bare trustee for Basurto Holdings Limited. Next Level Corporate Limited is the owner of equity derivatives relating to Ordinary Shares and a chargee of Ordinary Shares.

Other than as disclosed above, as at 30 June 2019, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Option Scheme

The Share Option Scheme was adopted by the Company on 8 December 2015 for the purpose of providing incentives or rewards to selected participants for their contributions to the Group. Details of the Share Option Scheme are set out in note 34 to the consolidated financial statements.

Share options comprising a total of 397,721,900 underlying Shares (the "Options") were granted under the Share Option Scheme to certain employees of the Group and Directors on 30 May 2016, 23 June 2017 and 9 November 2018 respectively. Details of the movements of the share options during the year are as follows:

		Number of Options							
Grantees	Outstanding as at 01.07.2018	Granted during the year	Cancelled during the year	Lapsed during the year	Exercise during the year	Outstanding as at 30.6.2019	Exercise price per Share *HK$*	Grant Date	Exercise period
Directors									
Oung Shih Hua, James	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	–	12,600,000	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Chan Chi Ho	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	–	12,600,000	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Yuen Chi Wah	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	–	12,600,000	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Substantial shareholders									
Oung Da Ming	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	–	12,600,000	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Hsu Ong Hsiao Ling	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	–	12,600,000	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Associates of substantial shareholders *(note)*	41,029,200	–	–	–	–	41,029,200	0.321	30 May 2016	30 May 2016 – 29 May 2026
	40,487,370	–	–	–	–	40,487,370	0.296	23 June 2017	23 June 2017 – 22 June 2027
	–	37,800,000	–	–	–	37,800,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Employees	27,352,800	–	–	–	–	27,352,800	0.321	30 May 2016	30 May 2016 – 29 May 2026
	26,991,580	–	–	–	–	26,991,580	0.296	23 June 2017	23 June 2017 – 22 June 2027
	–	25,200,000	–	–	–	25,200,000	0.179	9 November 2018	9 November 2018 – 8 November 2028

Note:

Being share options held by Oung Shih How, Zee Alfred and King, Camille V.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the spouses or children under the age of 18 of the directors had any right to subscribe for the securities of the Company or had exercised such rights during the year.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the directors' interest in contracts of significance are set out in note 40 to the consolidated financial statements.

Save as disclosed above, there was no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into during the year are set out in note 40 to the consolidated financial statements.

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.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that each Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the Directors.

EQUITY-LINKED AGREEMENTS

Save for convertible notes and share option scheme of the Company as disclosed in notes 28 and 34 respectively to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practice are set out in the "Corporate Governance Report" section to the annual report.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares for the year ended 30 June 2019.

USE OF NET PROCEEDS FROM THE OPEN OFFER

Net proceeds from the open offer by way of convertible notes in December 2017 amounted to approximately HK$63.2 million. As at 30 June 2019, a total amount of HK$16 million out of net proceeds had been used by the Group according to the allocation set out in the offering circular.

	Proposed Use of Proceeds *HK$'000*	**Amount utilised up to 30 June 2019** *HK$'000*	**Unused proceeds as at 30 June 2019** *HK$'000*	**Expected timeframe**
• Purchase of land	7,800	–	7,800	The negotiation for this takes longer than expected, but expected to be used in the next twelve months
• Construction of facilities	39,000	–	39,000	To be used in two years
• Operation costs	16,400	16,400	–	
Total	63,200	16,400	46,800	

AUDIT COMMITTEE

The audit committee comprises one non-executive director and three independent non-executive directors and reports to the board of the directors. The audit committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the executive directors of the Company on the basis of their merit, qualifications and competence.

The emolument of the directors of the Company is determined by the board of directors of the Company after recommendation from the Remuneration Committee, having regard to the responsibilities of the directors, the Company's operating results, individual performance and comparable market statistics.

Details of directors' emolument during the year are set out in note 16 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 30 June 2019 as required under the Listing Rules.

AUDITOR

Deloitte Touche Tohmatsu resigned as the auditors of the Company with effect from 26 February 2019. RSM Hong Kong has been appointed as the new auditors of the Company to fill the casual vacancy with immediate effect to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Group for the year ended 30 June 2019 were audited by RSM Hong Kong.

RSM Hong Kong will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Oung Shih Hua, James
Chairman

Hong Kong
26 September 2019

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

TO THE SHAREHOLDERS OF PALADIN LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Paladin Limited (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 110, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 the 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, and we do not provide a separate opinion on these matters. The key audit matter we identified is valuation of investment properties:

KEY AUDIT MATTERS (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 19 to the consolidated financial statements. Management has estimated the fair value of the Group's investment properties to be approximately HK$657,100,000 as at 30 June 2019 and a fair value gain on investment properties of approximately HK$14,930,000 was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019. An independent external valuation was obtained in order to support management's estimate. The valuation of the investment properties involved significant unobservable inputs which require significant management judgement.	Our procedures in relation to this matter included: – Evaluating the independent external valuer's competence, capabilities and objectivity; – Assessing the appropriateness of the valuation methodology used; – Assessing the reasonableness of the key assumptions based on our knowledge of the property market and the characteristics of the properties; – Checking on a sample basis, the accuracy and relevance of the input data used; and – Assessing the adequacy of the disclosures in relation to the fair value measurement of the investment properties.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS 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 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 Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda 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 judgement 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Ng Wai Kwun.

RSM Hong Kong
Certified Public Accountants
Hong Kong
26 September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	8	**8,199**	7,542
Other income	9	**894**	5,776
Other gains/(losses)	10	**22,603**	62,408
Administrative and other operating expenses		**(89,900)**	(57,864)
(Loss)/profit from operations		**(58,204)**	17,862
Finance costs	12	**(3,605)**	(2,728)
Share of loss of an associate		**(3,003)**	(3,112)
(Loss)/profit before tax		**(64,812)**	12,022
Income tax expense	13	**–**	–
(Loss)/profit for the year	14	**(64,812)**	12,022
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(1,715)**	684
Fair value changes of available-for-sale financial assets		**–**	976
Other comprehensive income for the year, net of tax		**(1,715)**	1,660
Total comprehensive income for the year		**(66,527)**	13,682
(Loss)/profit for the year attributable to:			
Owners of the Company		**(58,170)**	16,284
Non-controlling interests		**(6,642)**	(4,262)
		(64,812)	12,022
Total comprehensive income for the year attributable to:			
Owners of the Company		**(59,480)**	17,610
Non-controlling interests		**(7,047)**	(3,928)
		(66,527)	13,682
(Loss)/earnings per share	18		
Basic (HK cents per share)		**(4.05)**	1.17
Diluted (HK cents per share)		**(4.30)**	0.59

Consolidated Statement of Financial Position

At 30 June 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Non-current assets			
Investment properties	19	**657,100**	642,170
Property, plant and equipment	20	**205,160**	210,186
Interest in an associate	21	**4,398**	2,799
Financial assets at fair value through profit or loss ("FVTPL")	22	**52,143**	–
Available-for-sale financial assets	22	**–**	13,592
Deposits placed for life insurance policies	22	**–**	36,258
Total non-current assets		**918,801**	905,005
Current assets			
Inventories – raw materials		**1,993**	–
Other receivables, deposits and prepayments	23	**4,476**	7,365
Bank and cash balances	24	**250,714**	332,127
Total current assets		**257,183**	339,492
Current liabilities			
Other payables and accruals	25	**13,245**	12,497
Due to related parties	26	**14,824**	24,388
Secured bank borrowings	27	**103,457**	105,779
Convertible notes	28	**28,733**	41,359
Current tax liabilities		**298**	298
Total current liabilities		**160,557**	184,321
Net current assets		**96,626**	155,171
Total assets less current liabilities		**1,015,427**	1,060,176

Consolidated Statement of Financial Position (Cont'd)

At 30 June 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Non-current liabilities			
Other borrowings	29	**12,430**	3,340
NET ASSETS		**1,002,997**	1,056,836
CAPITAL AND RESERVES			
Share capital	31	**14,387**	14,361
Reserves		**998,144**	1,045,810
Equity attributable to owners of the Company		**1,012,531**	1,060,171
Non-controlling interests		**(9,534)**	(3,335)
TOTAL EQUITY		**1,002,997**	1,056,836

Approved by the Board of Directors on 26 September 2019 and are signed on its behalf by:

Oung Shih Hua, James **Yuen Chi Wah**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Treasury share reserve *HK$'000*	Other reserve *HK$'000*	Translation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Convertible notes reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 July 2017	13,428	170,985	(321)	21,766	(341)	5,116	13,930	46,682	751,933	1,023,178	420	1,023,598
Total comprehensive income for the year	–	–	–	–	350	976	–	–	16,284	17,610	(3,928)	13,682
Issue of shares upon conversion of convertible notes *(note 28)*	168	4,047	–	–	–	–	(4,208)	–	–	7	–	7
Shares cancelled *(note 31)*	(10)	(311)	321	–	–	–	–	–	–	–	–	–
Issue of shares on open offer of convertible notes with share alternative *(note 28(a))*	775	18,601	–	–	–	–	–	–	–	19,376	–	19,376
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	173	173
Changes in equity for the year	933	22,337	321	–	350	976	(4,208)	–	16,284	36,993	(3,755)	33,238
At 30 June 2018	14,361	193,322	–	21,766	9	6,092	9,722	46,682	768,217	1,060,171	(3,335)	1,056,836

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 30 June 2019

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000*	Translation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Convertible notes reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 July 2018	14,361	193,322	21,766	9	6,092	9,722	46,682	768,217	1,060,171	(3,335)	1,056,836
Adjustment on initial application of HKFRS 9 *(note 3)*	–	–	–	–	(6,092)	–	–	6,092	–	–	–
Restated at 1 July 2018	14,361	193,322	21,766	9	–	9,722	46,682	774,309	1,060,171	(3,335)	1,056,836
Issue of shares upon conversion of convertible notes *(note 28(a))*	26	629	–	–	–	–	–	–	655	–	655
Capital contribution to a non-wholly owned subsidiary	–	–	–	–	–	–	–	(445)	(445)	445	–
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	403	403
Total comprehensive income for the year	–	–	–	(1,310)	–	–	–	(58,170)	(59,480)	(7,047)	(66,527)
Share-based payments *(note 34)*	–	–	–	–	–	–	11,630	–	11,630	–	11,630
Changes in equity for the year	26	629	–	(1,310)	–	–	11,630	(58,615)	(47,640)	(6,199)	(53,839)
At 30 June 2019	14,387	193,951	21,766	(1,301)	–	9,722	58,312	715,694	1,012,531	(9,534)	1,002,997

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(64,812)**	12,022
Adjustments for:			
Depreciation of property, plant and equipment	20	**6,458**	6,049
Direct attributable costs in relation to open offer of convertible notes with share alternative		**–**	1,623
Fair value gains on convertible notes	28(a)	**(11,971)**	(7,186)
Fair value gains on investment properties	19	**(14,930)**	(62,650)
Fair value losses on financial assets at FVTPL	22	**1,094**	–
Impairment loss on interest in an associate	10	**3,198**	7,428
Interest expense	12	**3,605**	2,728
Interest income	9	**(104)**	(4,732)
Loss on disposal of property, plant and equipment	10	**3**	–
Premium charged on life insurance policies		**–**	4,040
Share of loss of an associate		**3,003**	3,112
Share-based payments	34	**11,630**	–
Written off of other receivables	10	**3**	–
Operating loss before working capital changes		**(62,823)**	(37,566)
Increase in other receivables, deposits and prepayments		**(501)**	(1,714)
Increase in inventories		**(1,993)**	–
Increase/(decrease) in other payables and accruals		**657**	(806)
Net cash used in operating activities		**(64,660)**	(40,086)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**104**	46
Purchases of property, plant and equipment	20	**(1,454)**	(1,570)
Capital injection in an associate		**(7,800)**	–
Net cash used in investing activities		**(9,150)**	(1,524)

Consolidated Statement of Cash Flows (Cont'd)

For the year ended 30 June 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment to related parties		**(9,564)**	(40,434)
Redemption of convertible redeemable preference shares		**–**	(6,446)
Repayment of bank borrowings		**(2,322)**	(1,860)
Interest paid		**(3,514)**	(2,533)
Capital contribution from non-controlling interests in a subsidiary		**403**	173
Cash received from open offer of convertible notes with share alternative		**–**	48,552
Cash received from open offer of ordinary shares		**–**	19,376
Direct attributable costs in relation to open offer of convertible notes with share alternative	28(a)	**–**	(1,623)
Other borrowings raised		**9,090**	3,340
Net cash (used in)/generated from financing activities		**(5,907)**	18,545
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(79,717)**	(23,065)
Effect of foreign exchange rate changes		**(1,696)**	1,114
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**332,127**	354,078
CASH AND CASH EQUIVALENTS AT END OF YEAR		**250,714**	332,127
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**250,714**	332,127

1. GENERAL INFORMATION

Paladin Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business is Suite 705, 7th Floor, Sun Life Tower, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group".

In the opinion of the directors of the Company, Cityguard Holdings Limited, a company incorporated in the British Virgin Islands ("BVI"), is the immediate parent; Basurto Holdings Limited, a company incorporated in the BVI, is the ultimate parent of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 July 2018. Of these, HKFRS 9 Financial Instruments is relevant to the Group's consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

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

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

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTPL, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

(a) Application of new and revised HKFRSs (Cont'd)

HKFRS 9 Financial Instruments (Cont'd)

(ii) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its 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. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

(a) Application of new and revised HKFRSs (Cont'd)

HKFRS 9 Financial Instruments (Cont'd)

(iii) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has determined that the additional impairment allowance under the application of HKFRS 9 impairment model requirements at 1 July 2018 is insignificant.

The following table and the accompanying notes below explain 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	*Note*	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** *HK$'000*	**Carrying amount under HKFRS 9** *HK$'000*
Golf club membership	(I)	Available-for-sale	FVTPL	13,592	13,592
Deposits placed for life insurance policies	(II)	Loans and receivables	FVTPL	36,258	39,645
Other receivables, deposits and prepayments	(III)	Loans and receivables	Amortised cost	4,117	730
Bank and cash balances	(IV)	Loans and receivables	Amortised cost	332,127	332,127

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

(a) Application of new and revised HKFRSs (Cont'd)

HKFRS 9 Financial Instruments (Cont'd)

The impact of these changes on the Group's equity is as follows:

	Note	**Effect on investment revaluation reserve** *HK$'000*	**Effect on accumulated profits** *HK$'000*
Opening balance – HKAS 39		6,092	768,217
Reclassify golf club membership from available-for-sale to financial assets at FVTPL	(I)	(6,092)	6,092
Opening balance – HKFRS 9		–	774,309

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 July 2018 have not been impacted by the initial application.

Notes:

(I) Golf club membership that was previously classified as available-for-sale under HKAS 39 is now classified at FVTPL. Upon initial application of HKFRS 9, investment revaluation reserve of approximately HK$6,092,000 related to the available-for-sale financial assets is transferred to the opening accumulated profits at 1 July 2018.

(II) Deposits placed for life insurance policies that were previously classified as loans and receivables and carried at amortised cost are now classified as FVTPL since the contractual cash flows do not consist solely of payments of principal and interest on the principal amount outstanding. The directors of the Company estimated that the fair value of deposits placed for life insurance policies upon initial application of HKFRS 9 approximates the amount as measured at amortised cost. At 1 July 2018, current portion of deposits paid for life insurance policies of approximately HK$3,387,000 was included in other receivables, deposits and prepayments.

(III) Other receivables, deposits and prepayments that were classified as loans and receivables under HKAS 39 are now classified at amortised cost.

(IV) Bank and cash balances that were classified as loans and receivables under HKAS 39 are now classified at amortised cost.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 July 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 31 December 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

(b) New and revised HKFRSs in issue but not yet effective (Cont'd)

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 39(a), the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$7,475,000 as at 30 June 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2020 onwards.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

(b) New and revised HKFRSs in issue but not yet effective (Cont'd)

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Consolidation (Cont'd)

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests ("NCI") represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. NCI are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. NCI are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the NCI having a deficit balance.

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

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	Over the term of the lease
Leasehold improvements	15%
Office equipment, furniture and fixtures	10% – 33%
Motor vehicles	15%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Operating leases

(i) The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(g) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Financial assets (Cont'd)

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Policy prior to 1 July 2018

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at FVTPL.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectability. Typically other receivables, and bank and cash balances are classified in this category.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. 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. Cash and cash equivalents are assessed for ECL.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Other payables

Other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

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

(q) Convertible notes

When a Group entity issues a financial instrument which may require the Group to deliver cash or another financial asset, or otherwise to settle it in such a way that it would be a financial liability, in the event of the occurrence or non-occurrence of uncertain future events (or on the outcome of uncertain circumstances) that are beyond the control of both the issuing Group entity and the holder of the instrument, the issuing Group entity does not have the unconditional right to avoid delivering cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability).

Therefore, it is a financial liability of the issuing Group entity unless:

– the part of the contingent settlement provision that could require settlement in cash or another financial asset (or otherwise in such a way that it would be a financial liability) is not genuine;

– the issuing Group entity can be required to settle the obligation in cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability) only in the event of liquidation of the issuing Group entity; or

– the instrument has all the features and meets the conditions in paragraphs 16A and 16B of HKAS 32 Financial Instruments: Presentation.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Convertible notes (Cont'd)

If the contingent settlement provision that could require settlement in cash or another financial asset (or in another way that would result in the instrument being a financial liability) is not genuine, the settlement provision does not affect the classification of a financial instrument.

For financial instrument issued by a Group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received, net of transaction costs.

A non-derivative contract that will or may oblige the Group to deliver a fixed number of a Group entity's own ordinary shares (subject to anti-dilutive adjustments) is classified as an equity instrument of the Group entity. A derivative contract that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of a Group entity's own equity instruments (subject to anti-dilutive adjustments) is classified as an equity instrument of the Group entity.

For financial instrument contains both the debt component and derivative components, they are designated at FVTPL as a whole. In subsequent periods, both of them are measured at fair value and the corresponding effect of exchange difference has been recognised with changes in fair value to profit or loss. Transaction costs relating to the issuance of the convertible notes are charged to profit or loss immediately.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains/(losses)" line item.

(r) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Rental income is recognised on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(t) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(u) 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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Taxation (Cont'd)

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated pro rata amongst the assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(y) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(y) Impairment of financial assets (Cont'd)

Significant increase in credit risk (Cont'd)

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

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

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

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

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

– significant increases in credit risk on other financial instruments of the same debtor;

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

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(y) Impairment of financial assets (Cont'd)

Significant increase in credit risk (Cont'd)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(y) Impairment of financial assets (Cont'd)

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

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

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated 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, discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(y) Impairment of financial assets (Cont'd)

Measurement and recognition of ECL (Cont'd)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Policy prior to 1 July 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For all financial assets, the carrying amount is directly reduced by the impairment loss.

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

For available-for-sale financial assets, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(z) Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 30 June 2019 was approximately HK$205,160,000 (2018: HK$210,186,000).

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, no income tax was charged to profit or loss (2018: Nil).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(c) Fair value of investment properties

The Group appointed an independent professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 30 June 2019 was approximately HK$657,100,000 (2018: HK$642,170,000).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities including HK$, United States dollars ("USD"), Euro ("EUR"), Taiwan dollars ("TWD"), Renminbi ("RMB"), Japanese dollars ("JPY") and Vietnamese Dong ("VND"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

All of the Group's financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. These instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group is also exposed to credit risk in relation to debt investments that are measured at FVTPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments of approximately HK$52,143,000.

6. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 30 June 2019					
Secured bank borrowings *(note)*	103,457	–	–	–	103,457
Other borrowings	125	125	10,765	1,897	12,912
Other payables and accruals	8,420	–	–	–	8,420
Due to related parties	14,824	–	–	–	14,824
Convertible notes	28,733	–	–	–	28,733
At 30 June 2018					
Secured bank borrowings	105,779	–	–	–	105,779
Other borrowings	33	33	2,665	769	3,500
Other payables and accruals	7,410	–	–	–	7,410
Due to related parties	24,388	–	–	–	24,388
Convertible notes	41,359	–	–	–	41,359

Note:

Secured bank borrowings with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such secured bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

6. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity risk (Cont'd)

The maturity analysis of secured bank borrowings subject to a repayment on demand clause based on scheduled repayments is as follows:

	Within 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 30 June 2019					
Secured bank borrowings	18,750	5,676	17,027	124,991	166,444
At 30 June 2018					
Secured bank borrowings	18,649	5,676	17,027	130,667	172,019

(d) Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure closely and will consider other necessary action when significant interest rate exposure is anticipated.

The effect of changes in interest rates is not significant to the consolidated financial statements. The Group has no other significant interest-bearing assets and liabilities except for bank deposits and bank and other borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 30 June 2019

	2019 ***HK$'000***	2018 *HK$'000*
Financial assets:		
Financial assets at FVTPL	**52,143**	–
Financial assets measured at amortised cost	**251,619**	–
Loans and receivables (including cash and cash equivalents)	**–**	372,502
Available-for-sale financial assets	**–**	13,592
Financial liabilities:		
Financial liabilities at amortised cost	**139,131**	140,917
Financial liabilities at FVTPL	**28,733**	41,359

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June 2019:

Description	**Fair value measurements using:**			**Total**
	Level 1	**Level 2**	**Level 3**	**2019**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Financial assets at FVTPL				
– Golf club membership	**–**	**–**	**11,272**	**11,272**
– Deposits placed for life insurance policies	**–**	**40,871**	**–**	**40,871**
	–	**40,871**	**11,272**	**52,143**
Investment properties				
– Tenant occupied office premises/car parking spaces located in Hong Kong	**–**	**–**	**326,600**	**326,600**
– Vacant office premises/car parking spaces located in Hong Kong	**–**	**–**	**330,500**	**330,500**
	–	**–**	**657,100**	**657,100**
Total	**–**	**40,871**	**668,372**	**709,243**
Financial liabilities at FVTPL				
2017 Convertible Notes	**–**	**28,733**	**–**	**28,733**

7. FAIR VALUE MEASUREMENTS (Cont'd)

(a) Disclosures of level in fair value hierarchy at 30 June 2019: (Cont'd)

Description	Fair value measurements using: Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total 2018 *HK$'000*
Recurring fair value measurements:				
Available-for-sale financial assets				
– Golf club membership	–	–	13,592	13,592
Investment properties				
– Tenant occupied office premises/car parking spaces located in Hong Kong	–	–	319,100	319,100
– Vacant office premises/car parking spaces located in Hong Kong	–	–	323,070	323,070
	–	–	642,170	642,170
Total	–	–	655,762	655,762
Financial liabilities at FVTPL				
2017 Convertible Notes	–	41,359	–	41,359

(b) Reconciliation of assets measured at fair value based on Level 3:

	Golf club membership **2019** ***HK$'000***	2018 *HK$'000*	**Investment properties** **2019** ***HK$'000***	2018 *HK$'000*
At beginning of year	**13,592**	12,616	**642,170**	579,520
Total gains/(losses) recognised				
– in profit or loss	**(2,320)**	–	**14,930**	62,650
– in other comprehensive income	**–**	976	**–**	–
At end of year	**11,272**	13,592	**657,100**	642,170

The total gains or losses recognised in other comprehensive income are presented in fair value changes of available-for-sale financial assets in the consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other gains/(losses) in the consolidated statement of profit or loss and other comprehensive income.

7. FAIR VALUE MEASUREMENTS (Cont'd)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2019:

The Group's Board of Directors is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. For Level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs
Golf club membership	Direct comparison method	Market price of similar golf club membership	N/A	Increase
Investment properties				
– Tenant occupied office premises/car parking spaces located in Hong Kong	Income approach	Term and reversion approach with key inputs of vacant possession value	HK$27,634 to HK$28,795 (2018: HK$26,219 to HK$26,885) per sq. ft. on saleable area basis	Increase
– Vacant office premises/ car parking spaces located in Hong Kong	Direct comparison method	Market unit rate of similar properties and applied adjustment rate on difference in location, view floor area, lot size, age and condition of the properties under review	HK$27,634 to HK$28,795 (2018: HK$26,219 to HK$26,885) per sq. ft. on saleable area basis	Increase

There were no changes in the valuation techniques used during the years ended 30 June 2019 and 2018.

7. FAIR VALUE MEASUREMENTS (Cont'd)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2019: (Cont'd)

Level 2 fair value measurements

Description	Valuation technique	Inputs
Deposits placed for life insurance policies	Expected cash flows	Cash value quoted by the insurance companies
2017 Convertible Notes	Discounted cash flows	Expected cash flows are estimated based on underlying share prices (from observable market share price at the end of the reporting period)

8. REVENUE

Revenue represents the aggregate of the amounts received and receivable for rental income from investment properties.

9. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income from deposits placed for life insurance policies	**–**	4,686
Government grants received *(Note)*	**653**	866
Bank interest income	**104**	46
Others	**137**	178
	894	5,776

Note: The government grants represented immediate financial support granted by the local government to one of the subsidiaries operated in Finland. There were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.

10. OTHER GAINS/(LOSSES)

	2019	2018
	HK$'000	*HK$'000*
Fair value gains on investment properties *(note 19)*	**14,930**	62,650
Fair value gains on convertible notes *(note 28(a))*	**11,971**	7,186
Impairment loss on interest in an associate	**(3,198)**	(7,428)
Loss on disposal of property, plant and equipment	**(3)**	–
Written off of other receivables	**(3)**	–
Fair value losses on financial assets at FVTPL *(note 22)*	**(1,094)**	–
	22,603	62,408

11. SEGMENT INFORMATION

The Group has two operating segments as follows:

– Property investment: rental income from leasing out the properties; and

– Research and development: conducting research and development, software and hardware design for the manufacture and sale of a range of high technology products such as portable x-ray systems, advanced algorithm and software solutions, image sensors etc.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include certain other income, fair value gains on convertible notes, impairment loss on interest in an associate, written off of other receivables, fair value losses on financial assets at FVTPL, share of loss of an associate and unallocated corporate expenses.

11. SEGMENT INFORMATION (Cont'd)

Information about operating segment profit or loss:

	Property investment *HK$'000*	Research and development *HK$'000*	Total *HK$'000*
Year ended 30 June 2019:			
Revenue from external customers	**8,199**	**–**	**8,199**
Segment profit/(loss)	**9,223**	**(55,755)**	**(46,532)**
Unallocated expenses			**(30,404)**
Unallocated income			**12,124**
Consolidated loss before tax			**(64,812)**
Interest expense	**3,477**	**259**	**3,736**
Depreciation of property, plant and equipment	**6,049**	**90**	**6,139**
Other material non-cash items:			
Fair value gains on investment properties	**14,930**	**–**	**14,930**
Loss on disposal of property, plant and equipment	**–**	**3**	**3**

11. SEGMENT INFORMATION (Cont'd)

	Property investment *HK$'000*	Research and development *HK$'000*	Total *HK$'000*
Year ended 30 June 2018:			
Revenue from external customers	7,542	–	7,542
Segment profit/(loss)	58,615	(23,158)	35,457
Unallocated expenses			(31,376)
Unallocated income			7,941
Consolidated profit before tax			12,022
Interest income	3,831	1	3,832
Interest expense	2,653	75	2,728
Depreciation of property, plant and equipment	5,878	1	5,879
Other material non-cash items:			
Fair value gains on investment properties	62,650	–	62,650
Premium charged on life insurance policies	3,387	–	3,387

Information about operating segment assets and liabilities is not provided to the Chief Executive Officer, being the chief operating decision maker, therefore, segment assets and liabilities are not presented.

Reconciliation of segment (loss)/profit from operations:

	2019 ***HK'000***	2018 *HK'000*
Total (loss)/profit of reportable segments	**(46,532)**	35,457
Share of loss of an associate	**(3,003)**	(3,112)
Unallocated amounts:		
Other income	**153**	755
Other gains/(losses)	**7,676**	(242)
Administrative and other operating expenses	**(23,106)**	(20,836)
Consolidated (loss)/profit before tax	**(64,812)**	12,022

11. SEGMENT INFORMATION (Cont'd)

No geographical information is presented as the Group's revenue is primarily derived from its business activities in Hong Kong and the Group's non-current assets (other than interest in an associate) are mainly located in Hong Kong.

Revenue from major customer:

	2019	2018
	HK$'000	*HK$'000*
Property investment segment		
Customer a	**8,199**	6,832

12. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**3,477**	2,653
Interest on other borrowings	**95**	42
Interest on bank overdrafts	**33**	33
	3,605	2,728

13. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2018: Nil).

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%).

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

13. INCOME TAX EXPENSE (Cont'd)

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(64,812)**	12,022
Tax at the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**(10,694)**	1,984
Tax effect of income that is not taxable	**(4,476)**	(12,307)
Tax effect of expenses that are not deductible	**16,563**	6,980
Tax effect of tax losses not recognised	**639**	4,297
Tax effect of temporary differences not recognised	**(932)**	–
Others	**–**	(643)
Effect of different tax rates of subsidiaries	**(1,100)**	(311)
Income tax expense	**–**	–

14. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is started after charging the following:

	2019	2018
	HK$'000	*HK$'000*
Auditors' remuneration	**600**	817
Research and development expenses	**19,582**	18,091
Depreciation of property, plant and equipment	**6,458**	6,049
Operating lease charges on land and buildings	**5,234**	3,644

15. EMPLOYEE BENEFITS EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	**11,332**	11,815
Equity-settled share-based payments	**7,790**	–
Retirement benefit scheme contributions	**561**	813
	19,683	12,628

The five highest paid individuals in the Group during the year included three (2018: two) directors whose emoluments are reflected in the analysis presented in note 16. The emoluments of the remaining two (2018: three) individuals are set out below:

	2019	2018
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**2,615**	3,611
Equity-settled share-based payments	**1,113**	–
Retirement benefit scheme contributions	**36**	149
	3,764	3,760

The emoluments fell within the following bands:

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

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking									
	Fees		Salaries		Share-based payments		Employer's contribution to a retirement benefit scheme		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*
Executive director										
Oung Shih Hua James ("Mr. Oung")	**1,404**	1,348	**1,872**	1,872	**1,280**	–	**18**	18	**4,574**	3,238
Non-executive directors										
Chan Chi Ho	**260**	260	**–**	–	**1,280**	–	**13**	12	**1,553**	272
Yuen Chi Wah	**130**	131	**534**	512	**1,280**	–	**18**	18	**1,962**	661
	390	391	**534**	512	**2,560**	–	**31**	30	**3,515**	933
Independent non-executive directors										
Liu Man Kin Dickson	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
Au Chik Lam Alexander	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
Luo Rongxuan	**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
	600	600	**–**	–	**–**	–	**–**	–	**600**	600
	2,394	2,339	**2,406**	2,384	**3,840**	–	**49**	48	**8,689**	4,771

Mr. Oung is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors waived any emoluments during the year (2018: Nil).

(b) Directors' material interests in transactions, arrangements and contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

17. DIVIDEND

No dividend was paid or proposed by the Group during the year ended 30 June 2019 (2018: Nil), nor has any dividend been proposed since the end of the reporting period.

18. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	2019	2018
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	**(58,170)**	16,284
Fair value gains on convertible notes	**(11,971)**	(7,186)
(Loss)/earnings for the purpose of calculating diluted (loss)/earnings per share	**(70,141)**	9,098

	2019	2018
Number of shares		
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	**1,437,384,821**	1,393,525,262
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	**192,900,226**	160,057,687
Weighted average number of ordinary shares used in diluted (loss)/earnings per share calculation	**1,630,285,047**	1,553,582,949

For the year ended 30 June 2018, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the ordinary shares repurchased from the market in May 2017 and subsequently cancelled in July 2017.

Dilutive (loss)/earnings per share for the years ended 30 June 2019 and 2018 did not assume the exercise of share options granted by the Company because the exercise prices of those options were higher than the average market price of the Company.

19. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
At 1 July	**642,170**	579,520
Fair value gains	**14,930**	62,650
At 31 December	**657,100**	642,170

The fair value has been arrived at on the basis of a valuation carried out by Messrs. LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer which is not connected to the Group.

The fair value of the investment properties was arrived by using income method and direct comparison method. For income method, it estimates the value of the properties on an open market basis by taking into the account of the current rent receivables from the existing tenancy agreements and the reversionary potential of the property interests by reference to the market sales evidence of commercial comparables around the valuation date and the deferred reversion value. Whereas, direct comparison method is based on market unit rate of similar properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Fair value gains on property revaluation of approximately HK$14,930,000 (2018: HK$62,650,000) were recognised in profit or loss for the year ended 30 June 2019.

20. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Office equipment, furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 July 2017	205,000	7,686	9,501	–	222,187
Additions	–	4,172	597	–	4,769
Disposals	–	–	(732)	–	(732)
Exchange differences	–	–	(26)	–	(26)
At 30 June 2018 and 1 July 2018	205,000	11,858	9,340	–	226,198
Reclassification	–	–	(800)	800	–
Additions	–	–	575	879	1,454
Disposals	–	–	(344)	–	(344)
Exchange differences	–	–	(23)	–	(23)
At 30 June 2019	205,000	11,858	8,748	1,679	227,285
Accumulated depreciation and impairment					
At 1 July 2017	1,424	523	8,764	–	10,711
Charge for the year	4,270	1,606	173	–	6,049
Disposals	–	–	(732)	–	(732)
Exchange differences	–	–	(16)	–	(16)
At 30 June 2018 and 1 July 2018	5,694	2,129	8,189	–	16,012
Reclassification	–	–	(220)	220	–
Charge for the year	4,271	1,779	266	142	6,458
Disposals	–	–	(341)	–	(341)
Exchange differences	–	–	(4)	–	(4)
At 30 June 2019	9,965	3,908	7,890	362	22,125
Carrying amount					
At 30 June 2019	195,035	7,950	858	1,317	205,160
At 30 June 2018	199,306	9,729	1,151	–	210,186

At 30 June 2019, the carrying amount of leasehold land and buildings pledged as security for the Group's bank loans amounted to HK$195,035,000 (2018: HK$199,306,000).

21. INTEREST IN AN ASSOCIATE

	2019	2018
	HK$'000	*HK$'000*
Unlisted investment:		
Share of net assets	**4,398**	2,799

Details of the Group's associate at 30 June 2018 and 2019 were as follows:

Name	**Place of incorporation and principal place of business**	**Issued and paid up capital**	**Percentage of ownership interest**		**Principal activities**
			2019	2018	
Imagica Technology Incorporation ("Imagica")	Canada	3,001,000 Class A shares of USD0.01 each and 2,081,633 Class B shares of USD0.01 each (2018: 2,001,000 Class A shares of USD0.01 each and 2,081,633 Class B shares of USD0.01 each)	**59%**	49%	Research and development

The Group holds 59% of the voting power of Imagica. However, under a shareholders' agreement, the other shareholder controls the composition of the board of directors of Imagica and has control over Imagica. The directors of the Company consider that the Group does have significant influence over Imagica and it is therefore classified as an associate of the Group.

21. INTEREST IN AN ASSOCIATE (Cont'd)

The following table shows information on the associate for the year ended 30 June 2019. This associate was accounted for in the consolidated financial statements using the equity method. The summarised financial information presented was based on the HKFRS financial statements of the associate.

	2019	2018
	HK$'000	*HK$'000*
At 30 June:		
Non-current assets	**114**	219
Current assets	**8,221**	5,753
Current liabilities	**(346)**	(260)
Net assets	**7,989**	5,712
Group's share of net assets	**4,398**	2,799
Goodwill	**10,626**	7,428
Accumulated impairment loss recognised	**(10,626)**	(7,428)
Group's share of carrying amount of interests	**4,398**	2,799

	HK$'000	*HK$'000*
Year ended 30 June:		
Revenue	**–**	–
Loss after tax	**(5,624)**	(6,351)
Other comprehensive income	**37**	(858)
Total comprehensive income	**(5,587)**	(7,209)

22. FINANCIAL ASSETS AT FVTPL (2018: AVAILABLE-FOR-SALE FINANCIAL ASSETS AND DEPOSITS PLACED FOR LIFE INSURANCE POLICIES)

	2019 *HK$'000*	2018 *HK$'000*
Golf club membership *(note (a))*	**11,272**	13,592
Deposits placed for life insurance policies *(note (b))*	**40,871**	36,258
	52,143	49,850

Notes:

(a) Golf club membership

During the year ended 30 June 2019, the fair value loss of approximately HK$2,320,000 was charged to profit or loss. During the year ended 30 June 2018, fair value gain of approximately HK$976,000 was credited to investment revaluation reserve.

(b) Deposits placed for life insurance policies

In March 2012, the Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is World Modern International Limited, a former subsidiary of the Company, and changed to Master Era Limited ("Master Era"), a subsidiary of the Company in 2016, and the total insured sum is US$10,000,000 (approximately HK$78,000,000). Master Era was required to pay an upfront deposit of US$2,806,000 (approximately HK$21,887,000) including a premium charge at inception of the policy amounting to US$168,000 (approximately HK$1,310,000). Master Era can terminate the policy at any time and receive cash value of the policy at the date of withdrawal, which is determined by the upfront payment of US$2,806,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value"). In addition, if withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge. The insurance company will pay Master Era an interest of 4.65% per annum on the outstanding Cash Value of the policy for the first year. Commencing on the 2nd year, the interest will be a variable return with minimum guaranteed interest rate of 2% per annum by the insurance company on an annual basis.

In September 2016, the Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is East Top (Hong Kong) Limited ("East Top"), a subsidiary of the Company, and the total insured sum is HK$20,000,000. East Top is required to pay an upfront deposit of approximately HK$16,945,000 including a premium charge at inception of the policy amounting to HK$8,610,000. East Top can terminate the policy at any time and receive cash value of the policy at the date of withdrawal, which is determined by the remaining balance of insurance charge and interest (if any) plus pre-determined guarantee cash back amount as at the end of each policy year.

During the year ended 30 June 2019, the fair value gain of approximately HK$1,226,000 was credited to profit or loss. During the year ended 30 June 2018, interest income of approximately HK$4,686,000 was credited to profit or loss. At 30 June 2018, current portion of deposits paid for life insurance policies of approximately HK$3,387,000 was included in other receivables, deposits and prepayments.

At the end of the reporting period, the carrying amount of a deposit placed for a life insurance policy pledged as security for certain bank borrowings amounted to approximately HK$18,215,000 (2018: HK$17,670,000).

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 *HK$'000*	2018 *HK$'000*
Other receivables	**1,468**	730
Deposits	**1,330**	5,690
Prepayments	**1,678**	945
	4,476	7,365

24. BANK AND CASH BALANCES

As at 30 June 2019, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$7,069,000 (2018: HK$10,025,000). Conversion of RMB into foreign currencies is subject to the People's Republic of China (the "PRC")'s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. OTHER PAYABLES AND ACCRUALS

	2019 *HK$'000*	2018 *HK$'000*
Accruals	**6,539**	6,932
Rental deposits received	**3,943**	2,943
Other payables	**2,763**	2,622
	13,245	12,497

26. DUE TO RELATED PARTIES

	2019 *HK$'000*	2018 *HK$'000*
Gold Seal Holdings Limited	**3,841**	6,111
Cityguard Holdings Limited	**10,669**	18,277
Oung Da Ming	**314**	–
	14,824	24,388

The related parties are immediate shareholders of the Company. The amounts due are unsecured, interest-free and repayable on demand.

27. SECURED BANK BORROWINGS

	2019 *HK$'000*	2018 *HK$'000*
Revolving loan	**12,691**	12,691
Mortgage loans	**90,766**	93,088
	103,457	105,779

The secured bank borrowings are repayable as follows:

	2019 *HK$'000*	2018 *HK$'000*
Within one year	**14,507**	15,003
More than one year, but not exceeding two years	**1,905**	1,978
More than two years, but not more than five years	**6,218**	6,429
More than five years	**80,827**	82,369
	103,457	105,779
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**(88,950)**	(90,776)
	14,507	15,003
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(14,507)**	(15,003)
Amount due for settlement after 12 months	**–**	–

At 30 June 2019, the secured bank borrowings are comprised of:

(i) a revolving loan that carries interest at the rate of 1.35% (2018: 1.35%) per annum over Hong Kong Interbank Offer Rate ("HIBOR"); and

(ii) mortgage loans with an outstanding amount of approximately HK$90,766,000 (2018: HK$93,088,000) that shall be repayable by remaining 323 (2018: 335) monthly instalments and carries interest at a rate of 1.75% (2018: 1.75%) per annum over HIBOR.

At 30 June 2019, the weighted average interest rate of the Group's bank borrowings was 3.73% (2018: 2.71%) per annum.

All bank borrowings are secured by the Group's assets. The details of pledged assets are disclosed in note 35.

28. CONVERTIBLE NOTES

(a) 2017 Convertible Notes

On 31 October 2017, the Company announced a proposed open offer of unsecured zero coupon participating convertible notes due 2024 in denominations of HK$0.25 principal amount each, to be issued at face value, on the basis of assured allotments of one convertible note, with the share alternative of one new ordinary share, at a subscription price of HK$0.25, for every five existing ordinary shares held (the "2017 Convertible Notes"). In December 2017, the Company issued an aggregate of 181,313,569 convertible notes and 25,774,298 ordinary shares in assured allotments for which valid applications were received and a further 12,894,970 convertible notes and 51,731,337 ordinary shares for which valid applications were received. In total, 194,208,539 unsecured zero coupon participating convertible notes and 77,505,635 ordinary shares were issued in the open offer and gross proceeds of approximately HK$48,552,000 and HK$19,376,000 were received, respectively.

2017 Convertible Notes bears no interest and matures on 23 November 2024. The convertible notes are convertible into ordinary shares of the Company at the option of the noteholders at any time from the issue date up to the close of business on the tenth last day preceding the maturity date at an initial conversion price of HK$0.25 each, subject to anti-dilutive adjustments. These convertible notes are denominated in Hong Kong dollars. Please refer to the Company's offering document dated 28 November 2017 for the details of these terms of the convertible notes. Below is a summary of principal terms of convertible notes.

(i) Conversion option exercisable by the noteholders

At any time from issue date up to the close of business on the tenth last day preceding the maturity date of the convertible notes, the Company will be issuing a fixed number of the Company's ordinary shares (subject to anti-dilutive adjustments) upon such conversion.

(ii) Distributions

The convertible notes entitle the noteholders to participate in dividends and/or distributions made to ordinary shareholders.

28. CONVERTIBLE NOTES (Cont'd)

(a) 2017 Convertible Notes (Cont'd)

(iii) Cash settlement option

Notwithstanding the conversion right of each noteholder in respect of each convertible note, at any time when the delivery of shares deliverable upon conversion of notes is required to satisfy the conversion right, the Company has the option to settle the conversion option in cash at the cash settlement amount (as defined below). If and to the extent that the issue of new ordinary shares upon conversion of the convertible notes will cause the public float of the ordinary shares to fall below the minimum prescribed percentage required under the Listing Rules, the Company shall pay to the relevant noteholder an amount of cash equal to the cash settlement amount in order to satisfy such conversion right.

The cash settlement amount is the product of (i) the number of ordinary shares otherwise deliverable upon exercise of the conversion right in respect of those convertible notes for which the Company has elected the cash settlement option and (ii) the arithmetic average of the volume weighted average price of the ordinary shares for each business day during the five business days last preceding the date of the relevant notice of conversion.

(iv) Redemption at the option of the Company

At any time after issue and prior to the day that is five business days prior to the maturity date, the Company may redeem all the 2017 Convertible Notes at the early redemption amount (as defined below).

The early redemption amount is the product of (i) the number of ordinary shares deliverable upon exercise of the conversion rights in respect of those convertible notes then outstanding and (ii) the arithmetic average of the volume weighted average price of the ordinary shares for each business day during the sixty business days ending on date of the notice from the Company electing to redeem all the 2017 Convertible Notes on the redemption date specified therein.

28. CONVERTIBLE NOTES (Cont'd)

(a) 2017 Convertible Notes (Cont'd)

(v) Automatic conversion on maturity

On the maturity date, all the outstanding 2017 Convertible Notes will automatically be converted into ordinary shares (subject to anti-dilutive adjustments). Notwithstanding the automatic conversion of all outstanding convertible notes on the maturity date, in the event that automatic conversion of all outstanding 2017 Convertible Notes on the maturity date will cause the public float of the ordinary shares to fall below the minimum prescribed percentage required under the Listing Rules, the Company shall redeem the 2017 Convertible Notes by paying to the relevant noteholders an amount of cash at the redemption amount (as defined below).

The redemption amount is the product of (i) the number of ordinary shares deliverable upon exercise of the conversion rights in respect of the 2017 Convertible Notes then outstanding and (ii) HK$0.25.

Since the Company has contractual obligation to deliver cash to the noteholders in the event of breach of public float requirement under the Listing Rules upon conversion of convertible notes, it results in the classification as financial liabilities and classified as current liabilities as the event of the above said breach is out of the Company's control. Accordingly, the directors designated the entire 2017 Convertible Notes as FVTPL with subsequent changes in fair value recognise in profit or loss. Transaction costs of approximately HK$1,623,000 were charged to profit or loss immediately.

The fair values of the 2017 Convertible Notes were determined by management, which approximate the cash settlement amount as calculated based on the formula as described in section (iii) above. Key inputs are as follows:

	30 June 2019 *HK$'000*	30 June 2018 *HK$'000*
Share price (per share)	**HK$0.150**	HK$0.213
No. of shares convertible	**191,557,498**	194,178,331

Change in fair value of approximately HK$11,971,000 (2018: HK$7,186,000) was credited to "other gains/(losses)" in profit or loss during the year ended 30 June 2019.

During the year ended 30 June 2019, a total of 2,620,833 (2018: 30,208) 2017 Convertible Notes with an amount of approximately HK$655,208 (2018: HK$7,552) were converted to 2,620,833 (2018: 30,208) ordinary shares.

28. CONVERTIBLE NOTES (Cont'd)

(b) 2014 Convertible Notes

On 26 September 2014, the Company announced a proposed open offer of unsecured zero coupon participating convertible notes due 2024 in denominations of HK$0.25 principal amount each, to be issued at face value, on the basis of assured allotments of one convertible note, with the share alternative of one new ordinary share at an open offer of HK$0.25, for every two existing ordinary shares held ("2014 Convertible Notes"). In November 2014, the Company issued an aggregate of 275,934,673 convertible notes and 41,236,560 ordinary shares in assured allotments for which valid applications were received. In December 2014, the Company issued a further 33,051,228 convertible notes and 117,839,783 ordinary shares for which valid applications were received on excess application forms. In total, 308,985,901 unsecured zero coupon participating convertible notes and 159,076,343 ordinary shares were issued in the open offer.

Details of major terms and conditions of the convertible notes are set out in the announcement in respect of the open offer of convertible notes with an ordinary share alternative dated 28 October 2014.

The conversion price of the 2014 Convertible Notes was adjusted to HK$0.24 with effective from 13 November 2017 as a result of the issuance of 2017 Convertible Notes.

During the year ended 30 June 2018, a total amount of 16,834,200 2014 Convertible Notes with an amount of approximately HK$4,208,000 were converted to 16,834,200 ordinary shares.

As at 30 June 2019, the outstanding number of 2014 Convertible Notes is 52,104,172 (2018: 52,104,172).

29. OTHER BORROWINGS

Other borrowings are unsecured, repayable by instalments from 2021 to 2024 (2018: 2022 to 2024) and carry interest at a rate of 1% per annum set by the Finland Finance Ministry.

30. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of HK$83,938,000 (2018: HK$80,064,000) available for offset against future profits. No deferred tax asset has been recognised in respect of all the unused tax losses due to the unpredictability of future profits streams. All the unused tax losses may be carried forward indefinitely.

31. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 July 2017, 30 June 2018 and 1 July 2018 and 30 June 2019	50,000,000,000	500,000
Issued and fully paid:		
At 1 July 2017	1,342,801,673	13,428
Issue of shares on open offer of 2017 Convertible Notes with share alternative *(note 28(a))*	77,505,635	775
Issue of shares upon conversion of 2014 and 2017 Convertible Notes *(note 28)*	16,864,408	168
Cancellation of shares repurchased in prior period *(note (a))*	(1,065,000)	(10)
At 30 June 2018 and 1 July 2018	1,436,106,716	14,361
Issue of shares upon conversion of 2017 Convertible Notes *(note 28(a))*	2,620,833	26
At 30 June 2019	1,438,727,549	14,387

Note:

(a) The Company cancelled 1,065,000 shares on the Stock Exchange in July 2017 at HK$0.30 each for an aggregated consideration paid of approximately HK$321,000.

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

The capital structure of the Group consists of net debts, which include amounts due to related parties, bank overdrafts, other borrowings, secured bank borrowings (net of cash and cash equivalents), convertible notes and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 30 June	
	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**7,207**	45,060
Financial assets at FVTPL	**11,272**	–
Available-for-sale financial assets	**–**	13,592
Due from subsidiaries	**108,817**	351,857
Loan receivables from subsidiaries	**516,798**	495,874
Total non-current assets	**644,094**	906,383
Current assets		
Other receivables, deposits and prepayments	**269**	378
Bank balances	**90,058**	158,653
Total current assets	**90,327**	159,031

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

(a) Statement of financial position of the Company (Cont'd)

	Note	As at 30 June **2019** *HK$'000*	2018 *HK$'000*
Current liabilities			
Other payables and accruals		**2,526**	2,932
Due to a related party		**3,841**	6,111
Due to subsidiaries		**38,619**	30,173
Convertible notes		**28,734**	41,359
Current tax liabilities		**298**	298
Total current liabilities		**74,018**	80,873
Net current assets		**16,309**	78,158
NET ASSETS		**660,403**	984,541
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	31	**14,387**	14,361
Reserves	33	**646,016**	970,180
TOTAL EQUITY		**660,403**	984,541

Approved by the Board of Directors on 26 September 2019 and signed on its behalf by:

Oung Shih Hua, James **Yuen Chi Wah**

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

(b) Reserve movement of the Company

	Share premium *HK$'000*	Treasury share reserve *HK$'000*	Other reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Convertible notes reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 July 2017	170,985	(321)	21,766	2,928	13,930	46,682	714,001	969,971
Total comprehensive income for the year	–	–	–	976	–	–	(19,217)	(18,241)
Issue of shares upon conversion of convertible notes *(note 28)*	4,047	–	–	–	(4,208)	–	–	(161)
Shares cancelled *(note 31)*	(311)	321	–	–	–	–	–	10
Issue of shares on open offer of convertible notes *(note 28(a))*	18,601	–	–	–	–	–	–	18,601
At 30 June 2018 and 1 July 2018	193,322	–	21,766	3,904	9,722	46,682	694,784	970,180
Adjustment on initial application of HKFRS 9 *(note 3)*	–	–	–	(3,904)	–	–	(227,344)	(231,248)
Restated at 1 July 2018	193,322	–	21,766	–	9,722	46,682	467,440	738,932
Total comprehensive income for the year	–	–	–	–	–	–	(105,175)	(105,175)
Issue of shares upon conversion of convertible notes *(note 28(a))*	629	–	–	–	–	–	–	629
Share-based payments *(note 34)*	–	–	–	–	–	11,630	–	11,630
At 30 June 2019	193,951	–	21,766	–	9,722	58,312	362,265	646,016

33. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be utilised in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares. The application of the share premium is governed by the Companies Act of Bermuda.

(ii) Treasury share reserve

Treasury share reserve represents the shares repurchased but not yet cancelled.

33. RESERVES (Cont'd)

(b) Nature and purpose of reserves (Cont'd)

(iii) Other reserve

Other reserve represents deemed contribution arising from relieve of paying cumulative preference dividends upon the alteration of the terms of the convertible redeemable preference shares during the year ended 30 June 2008. The convertible redeemable preferences shares were fully redeemed during the year ended 30 June 2018.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(c)(iii) to the consolidated financial statements.

(v) Investment revaluation reserve

Investment revaluation reserve comprised the cumulative net change in the fair value of available-for-sale financial assets. The reserve is dealt with in accordance with the accounting policy set out in note 4(j)(ii) to the consolidated financial statements. Upon initial adoption of HKFRS 9, these financial assets were reclassified as financial assets at FVTPL and accordingly, the balance was transferred to accumulated profits.

(vi) Convertible notes reserve

Convertible notes reserve represents the value of the unexercised equity component of the 2014 Convertible Notes issued by the Company.

(vii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(t) to the consolidated financial statements.

34. SHARE-BASED PAYMENTS

Pursuant to a resolution passed in the Company's general meeting, the Company approved and adopted a share option scheme (the "Scheme") for a period of 10 years commencing from 8 December 2015 for the grant of options over ordinary shares as incentive or reward for the grantees for their contribution or potential contribution to the Group.

Under the Scheme, the Company may grant options to eligible participants, who include amongst others full-time or part-time employees, chief executive, directors (including executive, non-executive and independent non-executive directors), substantial shareholders, and consultants, professional advisors of the Company or any of its subsidiaries or any investee, who, in the opinion of the directors, will contribute or has contributed to the Group.

During the year ended 30 June 2019, the number of ordinary shares in respect of which options had been granted under the Scheme was 126,000,000, representing 8.8% of the ordinary shares of the Company in issue at that date. The number of ordinary shares in respect of which options remained outstanding as at 30 June 2019 was 397,721,900 (2018: 271,721,900). The total number of ordinary shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of ordinary shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Any grant of options to any director, chief executive or substantial shareholder of the Company, or their associates, is subject to the prior approval of the independent non-executive directors. Any grant to a substantial shareholder or independent non-executive director of the Company, or their associates, that would result in the ordinary shares issued and to be issued on exercise of options granted and to be granted to such person in the 12 months to the date of such grant representing in aggregate over 0.1% of the ordinary shares in issue on the date of grant, and having an aggregate value, based on the closing price of the ordinary shares, in excess of HK$5 million, is subject to prior approval of shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 in aggregate for all options in the relevant grant. Options may be exercised at any time in the period notified to the grantee at the time of offer of the relevant options, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and must not be less than the higher of (i) the closing price of the Company's ordinary shares on the date of grant; (ii) the average closing price of the ordinary shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's ordinary shares.

34. SHARE-BASED PAYMENTS (Cont'd)

Details of the specific categories of options are as follows:

Date of grant	Exercisable period	Exercise price per share at date of grant *HK$*	Adjusted exercise price per share *HK$*
30.05.2016	30.05.2016 to 29.05.2026	0.335	0.321
23.06.2017	23.06.2017 to 22.06.2027	0.305	0.296
09.11.2018	09.11.2018 to 08.11.2028	0.179	N/A

Options were granted on 30 May 2016, 23 June 2017 and 9 November 2018 and the estimated fair values of the options granted on those dates were HK$25,476,000, HK$21,206,000 and HK$11,630,000 respectively, which were calculated using the binomial option pricing model based on following data:

Date of grant	9 November 2018	23 June 2017	30 May 2016
No. of options granted			
– Directors	37,800,000	39,270,000	39,300,000
– Employees and others	88,200,000	91,630,000	91,700,000
Share price at grant date	HK$0.173	HK$0.300	HK$0.335
Exercise price	HK$0.179	HK$0.305	HK$0.335
Expected volatility	67.59%	73.07%	74.61%
Expected life	10 years	10 years	10 years
Risk-free rate	2.423%	1.259%	1.257%
Expected dividend yield	0%	0%	0%
Early exercise multiples			
– Directors	2.8x	2.8x	3.0x
– Employees and others	2.2x	2.2x	2.5x

Expected volatility was determined by using the historical volatility of the Company's ordinary share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

34. SHARE-BASED PAYMENTS (Cont'd)

Details of the movement of share options during the year are as follows:

	2019		2018	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
		HK$		*HK$*
Outstanding at beginning of year	**271,721,900**	**0.309**	261,900,000	0.320
Granted during the year	**126,000,000**	**0.179**	–	N/A
Adjustment upon issuance of 2017 Convertible Notes	**–**	**N/A**	9,821,900	N/A
Outstanding at end of the year	**397,721,900**	**0.268**	271,721,900	0.309
Exercisable at end of period	**397,721,900**	**0.268**	271,721,900	0.309

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.06 years (2018: 8.45 years) and the exercise prices range from HK$0.179 to HK$0.321 (2018: HK$0.296 to HK$0.321).

35. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secure credit facilities granted to the Group:

	2019	2018
	HK$'000	*HK$'000*
Deposit placed for a life insurance policy	**18,215**	17,670
Leasehold land and buildings	**195,035**	199,306
	213,250	216,976

36. RETIREMENT BENEFIT SCHEMES

Hong Kong retirement scheme

With effect from 1 December 2000, the Group joined the mandatory provident fund scheme (the "MPF Scheme") for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK$1,500. The employees are entitled to 100% of the employer's mandatory contribution upon their retirement at the age of 65, death or total incapacity.

PRC retirement scheme

The employees of the Group's subsidiary which operates in the PRC are required to participate in a retirement scheme or other similar defined contribution provident fund operated by the respective local municipal government. The PRC subsidiary is required to contribute 9% to 20% (2018: 9% to 20%) of its basic payroll costs to the scheme/fund. The contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme/fund.

Finland retirement scheme

The employees of the Group's subsidiaries which operate in the Finland are required to participate in a retirement scheme, TyEL insurance ("TyEL"). These Finland subsidiaries are required to contribute 25.3% (2018: 25.3%) of its basic payroll costs to the scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme.

The aggregate employer's contributions during the year ended 30 June 2019 recognised in profit or loss amounted to HK$1,440,000 (2018: HK$861,000).

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

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

	At 1 July 2018 *HK$'000*	**Cash flows** *HK$'000*	**Interest expense** *HK$'000*	**Fair value change** *HK$'000*	**Conversion into ordinary shares** *HK$'000*	**At 30 June 2019** *HK$'000*
Interest payables	**195**	**(3,514)**	**3,605**	**–**	**–**	**286**
Secured bank borrowings *(note 27)*	**105,779**	**(2,322)**	**–**	**–**	**–**	**103,457**
Convertible notes *(note 28(a))*	**41,359**	**–**	**–**	**(11,971)**	**(655)**	**28,733**
Other borrowings *(note 29)*	**3,340**	**9,090**	**–**	**–**	**–**	**12,430**
Due to related parties *(note 26)*	**24,388**	**(9,564)**	**–**	**–**	**–**	**14,824**
	175,061	**(6,310)**	**3,605**	**(11,971)**	**(655)**	**159,730**

	At 1 July 2017 *HK$'000*	Cash flows *HK$'000*	Interest expense *HK$'000*	Fair value change *HK$'000*	Conversion into ordinary shares *HK$'000*	At 30 June 2018 *HK$'000*
Interest payables	–	(2,533)	2,728	–	–	195
Secured bank borrowings *(note 27)*	107,639	(1,860)	–	–	–	105,779
Convertible notes *(note 28(a))*	–	48,552	–	(7,186)	(7)	41,359
Other borrowings *(note 29)*	–	3,340	–	–	–	3,340
Due to related parties *(note 26)*	64,822	(40,434)	–	–	–	24,388
Convertible redeemable preference shares	6,446	(6,446)	–	–	–	–
	178,907	(619)	2,728	(7,186)	(7)	175,061

38. CONTINGENT LIABILITIES

The Group had the following outstanding litigations as at 30 June 2019, in which the directors of the Company are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained at the current stage:

(a) On 28 October 2014, Mr. Chen Te Kuang, Mike ("Mike Chen") issued a writ of summons against the Company, claiming for (i) repayment of HK$10,500,000, being an alleged loan made to Magetta Co. Limited, a subsidiary of the Company, in which the Company undertook to repay and HK$2,000,000, being an alleged loan made to the Company, and (ii) interest. On 27 January 2015, the Company filed a Defence and Counterclaim. The Company's counterclaim is for Mike Chen's breach of trust and/or his fiduciary duties owed to the Company. The Company claims, amongst others, for a sum of HK$410,447 against Mike Chen. The claims and counterclaims were entirely dismissed by an order of the Hong Kong High Court dated 6 March 2019.

(b) On 14 November 2014, a petition under section 724 of the Companies Ordinance was served on the Company, as first respondent, and Cityguard Holdings Limited, Five Star Investments Limited ("Five Star"), Gold Seal Holdings Limited, Mr. Oung Da Ming, Dr. Oung Shih Hua, James, Mr. Yuen Chi Wah and Mr. Chan Chi Ho as second to eighth respondents. The petition was filed by Mike Chen (as petitioner), a former director who was removed from office by a resolution passed by the ordinary shareholders in general meeting held on 1 August 2014. The petition is "On ground that members unfairly prejudiced" and in it the petitioner asserts among other things that Five Star and Gold Seal Holdings Limited, as well as Dr. Oung Shih Hua, James, have conducted the affairs of the Company in a manner unfairly prejudicial to the interests of other members of the Company, including the petitioner. The petitioner seeks orders to the following effect:

   (i) proceedings are brought in the names of the Company and two of its subsidiaries against Oung Da Ming, Margaret Uon, Five Star, Cityguard Holdings Limited and/or Gold Seal Holdings Limited;

   (ii) the Company to set up a special committee to review the internal controls and risk management systems of the Company, such special committee to engage independent experts to assist it in reviewing the systems and identifying material weaknesses with recommended remedial actions;

   (iii) a receiver of the Company's business is appointed until the special committee has completed its review and the recommended remedial actions, if any, are implemented;

   (iv) alternatively, the 4th to 8th respondents and their agents/associates be restrained from acting as directors and/or bank signatories of the Company and its subsidiaries until the special committee has completed its review and the recommended remedial actions, if any, are implemented;

   (v) damages (to be assessed), and any interest on those damages, be paid to the petitioner by any of the 2nd to 8th respondents as the Court thinks fit.

   The petition was dismissed by an order of the Hong Kong High Court dated 25 March 2019.

39. LEASE COMMITMENTS

(a) The Group as lessee

At 30 June 2019 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**3,913**	3,706
In the second to fifth years inclusive	**3,562**	6,052
	7,475	9,758

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 2.32 years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) The Group as lessor

Property rental income earned during the year was HK$8,199,000 (2018: HK$7,542,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2.53% (2018: 2.16%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

At 30 June 2019 the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**8,681**	8,681
In the second to fifth years inclusive	**1,447**	10,128
	10,128	18,809

40. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2019	2018
	HK$'000	*HK$'000*
Service fee paid to a related company *(note (a))*	**393**	653

Notes:

(a) One of the directors of the Company and his close family member have beneficial and controlling interests in the related company.

(b) Key management personnel of the Company are comprised of the directors of the Company. Details of their emoluments are set out in note 16 to the consolidated financial statements.

The remuneration of directors are determined by the board of directors after recommendation from the remuneration committee, having regard to the responsibilities of the directors, the operating results, individual performance and comparable market statistics.

41. SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2019 and 2018 are as follows:

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			Direct		Indirect		
			2019	2018	**2019**	2018	
Banhart Company Limited	Hong Kong	Ordinary HK$9,998	**–**	–	**100%**	100%	Investment holding
		Non-voting deferred HK$2*					
Sensors Integration Technology Limited	Hong Kong	Ordinary HK$2,597,634	**–**	–	**100%**	100%	Investment holding
Magetta Company Limited	Hong Kong	Ordinary HK$2	**100%**	100%	**–**	–	Investment holding
Master Era Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Management and operating
Acme Elite Limited	BVI	USD1	**100%**	100%	**–**	–	Property investment
Afar Success Limited	BVI	USD1	**100%**	100%	**–**	–	Property investment
Prime Supreme Corporation	BVI	USD1	**100%**	100%	**–**	–	Investment holding
Upwill Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Legacy One Asia Limited	BVI	USD1	**100%**	100%	**–**	–	Investment holding
East Top (Hong Kong) Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Next Level A.I. Solution System LLC	The United States of America ("USA")	USD2,000,000	**–**	–	**100%**	100%	Research and development
Next Level Security System LLC	USA	USD1,000,000	**–**	–	**100%**	100%	Research and development
Next Level Medical System LLC	USA	USD1,000,000	**–**	–	**100%**	100%	Research and development
百利鼎有限公司	Taiwan	TWD29,800,000	**–**	–	**100%**	100%	Research and development
Navigs Oy	Finland	EUR2,008,571	**–**	–	**70%**	70%	Research and development
Pexray Oy	Finland	EUR2,708,571	**–**	–	**75.9%**	70%	Research and development

41. SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			Direct		Indirect		
			2019	2018	**2019**	2018	
Dynim Oy	Finland	EUR2,008,571	**–**	–	**70%**	70%	Research and development
OneFab Finland Oy ("OneFab")^	Finland	EUR75,000	**–**	–	**28.8%**	–	Research and development
Skyin Technology Limited	Hong Kong	HK$11,750,140	**70%**	70%	**–**	–	Investment holding
上海簡慈信息科技有限公司#	PRC	USD1,500,000	**–**	–	**70%**	70%	Research and development
Able A.I. Technology Company Limited	Japan	JPY85,085,000	**–**	–	**100%**	100%	Research and development

A wholly foreign owned enterprise

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or to vote at any general meetings of the company or to participate in any distribution on winding up.

^ Although the Group owns less than 50% of the equity interest in OneFab, OneFab is treated as a subsidiary because the Group is able to control the relevant activities of OneFab.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Financial Summary

RESULTS

	Year ended 30 June				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	–	11,433	14,446	7,542	**8,199**
(Loss)/profit before tax	(120,713)	733,569	96,974	12,022	**(64,812)**
Income tax expense	–	–	(298)	–	**–**
(Loss)/profit for the year attributable to:					
– Owners of the Company	(120,713)	733,569	96,899	16,284	**(58,170)**
– Non-controlling interests	–	–	(223)	(4,262)	**(6,642)**

ASSETS AND LIABILITIES

	At 30 June				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	1,074,334	1,130,755	1,216,486	1,244,497	**1,175,984**
Total liabilities	(931,789)	(233,653)	(192,888)	(187,661)	**(172,987)**
Total equity	142,545	897,102	1,023,598	1,056,836	**1,002,997**

Schedule of Property Interests

Particulars of the properties held by the Group as at 30 June 2019 are as follows:

(a) Investment properties

Address	Purpose	Approximate saleable area *(Sq. ft.)*	Lease term
20/F., Capital Centre No. 151 Gloucester Road Hong Kong	Commercial	11,569	Long
21/F., Capital Centre No. 151 Gloucester Road Hong Kong	Commercial	11,158	Long
Car parking spaces Nos. 414 – 420 Capital Centre No. 151 Gloucester Road Hong Kong	Commercial	–	Long

(b) Owner-occupied properties

Address	Purpose	Approximate saleable area *(Sq. ft.)*	Lease term
Unit 3A, Cluny Park No. 53 Conduit Road Hong Kong	Residential	2,551	Medium
Unit 3B, Cluny Park No. 53 Conduit Road Hong Kong	Residential	2,384	Medium
Car parking spaces Nos. P12 and P16 Cluny Park No. 53 Conduit Road Hong Kong	Residential	–	Medium