香港資源控股
HONG KONG RESOURCES HOLDINGS
(Stock Code: 2882)

EXPLORE

annual report 2019

OPPORTUNITIES

"Mainland China will continue to be our major market......" one of the fastest growing economies in the world and support the Group's optimistic business outlook in the medium to long run.

• IMAGE: reinforcing our trendy image and promotion with glamourous and popular artists & celebrities

• PRODUCT: more K-gold jewellery will also be launched as it has a high level of creativity

• CHANNEL: opening new stores within the region, developing online sales platform & introducing premium products

Contents

HKRH is poised to take advantage of excellent opportunities ahead.

Mission

Hong Kong Resources Holdings Company Limited aims at growing into a jewellery retailer of scale, and at developing brands with international recognition in Mainland China, Hong Kong and Macau.

We continue to seek products of precious metals and stones; distribution channels, both brick-and-mortar and e-commerce; as well as partners with strategic fit for franchising or alliance.

Corporate Information

DIRECTORS

Executive Directors

Mr. Li Ning, *Chairman (appointed on 12 June 2019)*

Mr. Xu Zhigang *(re-designated as non-executive Director on 4 October 2019 and resigned as non-executive Director on 7 January 2020)*

Mr. Lam Kwok Hing, Wilfred, J.P. *(resigned on 12 June 2019)*

Mr. Wu Xiaolin *(resigned on 28 August 2018)*

Mr. Zhao Jianguo *(resigned on 12 June 2019)*

Ms. Dai Wei

Mr. Hu Hongwei *(appointed as non-executive Director on 29 March 2019 and re-designated as executive Director on 14 July 2019)*

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam[a,b,c]

Mr. Xu Xiaoping[a,b,c]

Mr. Fan, Anthony Ren Da[a,b,c]

[a] *Member of the Audit Committee*

[b] *Member of the Remuneration Committee*

[c] *Member of the Nomination Committee*

COMPANY SECRETARY

Ms. Ho Suet Man Stella

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton, HM11

Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 905, 9th Floor, Star House

3 Salisbury Road, Tsim Sha Tsui

Kowloon

Hong Kong

Corporate Information

PRINCIPAL BANKERS

Hang Seng Bank
DBS Bank
Shanghai Commercial Bank
United Overseas Bank
Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Major Events

JULY 2018

3DG Jewellery was being the co-sponsor of "MOOV LIVE Kelly MUSIC STAGE" Concert.

AUGUST 2018

3DG Jewellery has organized a " 2018 Autumn Brand Licensee Business Seminar" in Shenzhen of PRC.

SEPTEMBER 2018

Opening Celebration of 3DG Jewellery shops in Wuhan of PRC.

SEPTEMBER 2018

Being awarded the "Hong Kong Q-Mark Elite Brand 2018" by Hong Kong Q-Mark Council.

SEPTEMBER 2018

Being awarded the "Hong Kong Q-Mark Service Scheme" by Hong Kong Q-Mark Council.

Major Events

OCTOBER 2018

“Starry Shimmer New Product Launch” of 3DG Jewellery in Guangzhou of PRC.

DECEMBER 2018

Being awarded the “TVB Weekly Brand Award 2018” by TVB Weekly.

JANUARY 2019

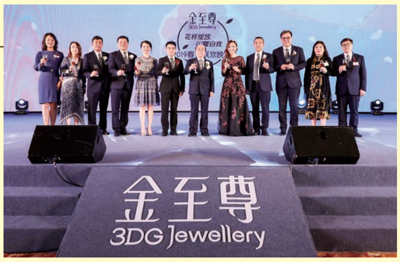
“15th Anniversary Celebration with Kelly & New Product Launch of Starry Shimmer Collection” of 3DG Jewellery in Shenzhen of PRC.

MARCH 2019

3DG Jewellery continued to be the scepter and crown sponsor of “Miss Chinese International Pageant 2019” for the 9th consecutive year, and a presentation ceremony was held in the Tsim Sha Tsui shop of Hong Kong.

MARCH 2019

3DG Jewellery has organized a “2019 Spring Brand Licensee Business Seminar and Annual Dinner” in Shenzhen of PRC.



Major Events

MARCH 2019

Being awarded the "Elite Jewellery Brand Awards 2018" by Ming Pao Weekly.

MARCH 2019

Being awarded the "OL Favourite Brands Award" by JESSICA.

APRIL 2019

3DG Jewellery has organized a "3DG Jewellery x Peter RabbitTM Roadshow" in Tuen Mun of Hong Kong.

APRIL 2019

3DG Jewellery New Image Shop opened in The Venetian® of Macau.

APRIL 2019

Being awarded the "2018 Hong Kong Awards for Environmental Excellence (HKAEE) - Certificate of Merit (Shops and Retailers Sector)" by the Environmental Campaign Committee and the Environmental Protection Department.

Major Events

MAY 2019

Being awarded the "Best Label Award 2018/2019 - Best Jewelry" by Marie Claire.

MAY 2019

Being awarded the "2019 Outstanding QTS Merchant – Gold Award (Jewellery & Watches)" by Hong Kong Tourism Board.

MAY 2019

Mr. Danny Wong, Chief Executive Officer of 3DG Jewellery, was being invited to be the officiating guest of "International Jewellery Kobe 2019" in Japan.

MAY 2019

3DG Jewellery has organized a "Brand Spokesperson Signing Ceremony with Xu Kai" in Shenzhen of PRC.

JUN 2019

Opening celebration of 3DG Jewellery shop in Fuzhou of PRC.


金至尊
3DG Jewellery
閃醉 鑽飾系列
STARRY SHIMMER

Letter to the Shareholders

Dear shareholders,

On behalf of Hong Kong Resources Holdings Company Limited ("**HKRH**" or the "**Group**"). I present to you the Group's results for the year ended 30 June 2019.

The Group will continue to promote our brand "3D-GOLD" to secure higher recognition and trust and continue to seize the market opportunities to increase the revenue mix of Mainland China, Hong Kong and Macau.

The Group has also been exploring new business opportunities to diversify revenue base. We look forward to achieving mutually beneficial results, in turn, creating greater value for HKRH and delivering better returns to our shareholders and investors.

In closing, on behalf of the Board, I extend my sincere appreciation to the management team and staff of the Group for their contribution and also give our gratitude to all our shareholders for their continuous support in this challenging year. We expect the year ahead to be full of opportunities and challenges. As always, we strive to create greater value for our shareholders and investors.

Mr. Li Ning
Chairman

Management Discussion and Analysis

OVERVIEW

The Group is principally engaged in trademark licensing and retailing for gold and jewellery products in Hong Kong, Macau and Mainland China and the wholesaling and subcontracting of gold and jewellery products in Mainland China.

The Year under review has been a challenging year for all businesses and in particular for Hong Kong retailers. In the second half of 2018, the escalation of trade tensions between the United States and Mainland China have hurt general consumption sentiment. In the first quarter of 2019, business grew during the Lunar New Year in both Hong Kong and the Mainland China as there was still hope that the Sino-US talks would bring forth some rapprochement. However in second quarter of 2019, when it was clear that there was not going to be a resolution any time soon, anxieties rebounded. Domestically, the social unrest in Hong Kong since June of 2019 dampened local consumer sentiments. Amid the difficult business environment, the Group recorded a decline in overall same-store growth of 3%.

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK$1,461 million for the Year, representing an increase of 0.1% as compared to the turnover of approximately HK$1,459 million for the same period last year ("Last Year"). The loss for the Year attributable to the owners was approximately HK$181 million compared to approximately HK$60 million Last Year, representing an increase of 202%. This was mainly attributable to (i) increase in selling expenses as a result of the launch of more advertising campaign; (ii) turnaround of the exchange gain Last Year to exchange loss for the Year as a result of devaluation of Renminbi; (iii) increase in finance costs since both costs of borrowing and borrowing amount increase for the Year and (iv) impairment loss on loan and interests receivable.

Retailing of gold and jewellery products accounted for 85% (2018: 87%) of total turnover. The retail revenue was approximately HK$1,235 million for the Year, representing a 2% decrease from approximately HK$1,264 million Last Year. Mainland China continued to be the Group's major market, contributing 64% (2018: 64%) of retail sales for the Year. The retail revenue from Mainland China dropped by 4% to HK$784 million for the Year from HK$813 million Last Year. The Group's retail revenue from Hong Kong and Macau market was approximately HK$450 million for the Year, representing a 0.4% decrease from HK$452 million Last Year. The Group recorded a decline in overall same-store growth of 3% (2018: growth 29%), of which same-store growth in Mainland China was a decline of 3% (2018: growth of 26%) and in Hong Kong and Macau was a decline of 9% (2018: growth of 15%). The wholesaling and subcontracting business of gold and jewellery products in Mainland China accounted for 10% (2018: 8%) of total turnover. The wholesaling and subcontracting revenue was approximately HK$142 million for the Year, representing a 21% increase from approximately HK$117 million Last Year.

over 370 shops in China

379 shops in Mainland China
9 shops in Hong Kong
2 shops in Macau

22	Anhui	9	Heilongjiang	3	Jilin	3	Sichuan
25	Beijing	10	Henan	10	Liaoning	14	Tianjin
4	Chongqing	9	Hong Kong	2	Macau	4	Xinjiang
11	Fujian	28	Hubei	5	Ningxia	1	Zhejiang
2	Gansu	4	Hunan	7	Shaanxi	1	Qinghai
90	Guangdong	6	Inner Mongolia	52	Shandong		
15	Guangxi	26	Jiangsu	2	Shanghai		
15	Hebei	1	Jiangxi	9	Shanxi		

金至尊
3D-GOLD

The Group's selling and distribution expenses increased to HK$359 million (2018: HK$327 million), whereas the percentage to total turnover increased to 25% (2018:22%) this Year as a result of more advertising and promotional campaign. Rental expenses amounted to HK$126 million (2018: HK$127 million), representing 9% (2018: 9%) of total revenue. The percentage to turnover remained at a relatively low level. It is the Group's intention to negotiate with individual landlords on rental level in current economic environment.

The Group has successfully implemented various cost control measures. General and administrative expenses have decreased by HK$4 million to HK$94 million (2018: HK$98 million).

The Group's other gains and losses have turned to a negative HK$11 million for the Year, compared to a positive HK$20 million Last Year. Included in other gains and losses are exchange loss of HK$11 million for the Year.

The Group has recognised impairment losses on all the loan receivables advanced by Prosten Finance Limited, a subsidiary of the Company and the related interest receivables to reflect the expected credit losses of HK$86 million. The auditor of the Company raised their concerns on the business rationale and commercial substance of the loan transactions and the related interests receivables.

The special investigation committee (the "SIC") has been formed to undertake investigation on matters pertaining to the loans transactions. The SIC has engaged an independent forensic investigation firm to undertake an independent forensic investigation. As mentioned in the forensic investigation report, apart from a former executive director of the Company who resigned in August 2018 and a former director of Prosten Finance Limited who was removed in January 2020 being responsible for preparing the relevant loan documents (the "Involved Former Directors"), the former chief executive officer and executive director of the Company (the "Involved Former CEO") was the only person responsible for contacting client, determining the loan amount and interest rate, reviewing and approving the risk assessment, and signing the agreement for granting of the loan transactions.

The forensic investigation report has also indicated ineffective internal control mechanism for those loan transactions and alleged the Involved Former CEO and Involved Former Directors' negligence and malfeasance in approving and granting those loan transactions, thereby calling into question the commercial reasonableness of the relevant transactions, in light that they did not maintain a professional scepticism to establish a reasonable and reliable credit evaluation mechanism, hire a professional credit team to conduct credit risk assessment, and establish and effective internal control mechanism to monitor the credit review and approval process.

The Group has issued either writ of summons or statutory demand to the defaulted borrowers as at the date of this annual report and will take other relevant actions when appropriate.

ENHANCED INTERNAL CONTROL MEASURES

The Company has enhanced a number of control measures and engaged an independent accounting firm to perform internal review of the Company's internal control which have focused on (i) supervision; (ii) information and communication; (iii) controlled activities; (iv) risk management; (v) internal control environment; and (vi) investment management. The Board considers that the measures are appropriate.

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2019 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Retail business

Overall revenue from the retail business reached HK$450 million (2018: HK$452 million) for Hong Kong and Macau and HK$784 million (2018: HK$813 million) for Mainland China. The decrease in retail sales for Mainland China was mainly due to the close of shops and counters and a decline in same-store growth in Mainland China.

As at 30 June 2019, the Group had 9 points-of-sale in Hong Kong, 2 points-of-sale in Macau and 379 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 84 are self-operated points-of-sale and 295 are licensee points-of-sale.

The Group's self-operated points-of-sale are located at department stores or shopping malls within prime shopping districts in Mainland China and most of them are subject to turnover-based rent. The Hong Kong and Macau operations are, on the other hand, subject to fixed rentals, with some of the lease arrangements committed to paying either minimum guaranteed amounts or monthly payments in the amounts equivalent to a certain prescribed percentage of monthly sales as rental payments, whichever is higher. Management is currently engaged in negotiations with individual landlords to maintain the effective rentals at a reasonable level.

The Group's strategy in Mainland China is to continue to focus on the growth of licensee stores. This model gives the Group the option to leverage the capital, local knowledge and premises of its licensees, a flexible and fast roll out strategy that requires minimal capital outlay from the Group. This model enables the management to make critical decisions at times of market changes with minimal adverse impact on the Group.

With an aim to improve the profitability, the management has focused on the following areas through implementing various measures: (i) adjusting the sales network by focusing on profit-making stores and closing down non-performing stores, (ii) introducing a new regional franchisee system to strengthen the retail operations, (iii) continuing to develop and promote new product series, (iv) persistent costs control including requesting landlords to provide rental reduction or relief; and (v) improving cash flow.

The opening, renewal and closing of the Group's points-of-sales in Hong Kong, Macau, and Mainland China will be reviewed continually to ensure consistence with its overall business plan and strategies. The Group's growth plans will be continuously adjusted, based on the financial returns, marketing benefits and strategic advantages. Prospectively, the Mainland China market will remain the key growth driver in the future.

Products and Design

The Group has continued to advance its product designs and innovations. Through continuous enhancement in product quality, the Group is committed to offer product series which are able to meet with our customers' preferences.

During the Year, the Group has enlarged its product portfolio to capture different market segments. Newly launched products include:

- "Spellbound" Collection
- "Starry Shimmer" Collection
- Pure Gold Chinese Zodiac Collection
- "Love Rhythm" Collection
- "K•LOVE" Collection
- "Love Lane" Collection
- Pure Gold Wedding Collection
- "Precious Dear" Collection
- "Golden Allure" Collection
- "Peter RabbitTM" Collection
- Classic Gold Collection
- Wedding Collection
- "Golden Allure GA" 5G Collection

Marketing and Promotion

The Group strongly believes in the value of a quality brand. The Group continues to promote the "3DG Jewellery" brand through a comprehensive marketing programme. Some of Group's marketing programme include:

– Organized a "2018 Autumn Brand Licensee Business Seminar" in Shenzhen of PRC;

– Being the scepter and crown sponsor of "Miss Chinese International Pageant 2019" for the 9th consecutive year, with a presentation ceremony has been held in the Tsim Sha Tsui shop of Hong Kong;

– Organized a "2019 Spring Brand Licensee Business Seminar" in Shenzhen of PRC;

– Organized a "3DG Jewellery x Peter RabbitTM Roadshow" in Tuen Mun of Hong Kong

Awards and Achievements

The Group has also achieved industry awards as recognition for brand excellence and for its efforts in promoting service excellence in the jewellery retail sector.

– "Q-Mark Service Elite 2018" by Hong Kong Q-Mark Council

– "TVB Weekly Brand Award 2018" by TVB Weekly

– "Elite Jewellery Brand Awards 2018" by Ming Pao Weekly

– "OL Favourite Brands Award" by JESSICA

– Voted by the netizens as "Excellent Integrity Brand" and "Excellent After-sales Services Brand" in the 4th "Top 5 Chinese Jewellery Brands" which was launched by www.wto168.net in conjunction with more than 100 social media companies

– "2018 Hong Kong Awards for Environmental Excellence (HKAEE) – Certificate of Merit (Shops and Retailers Sector)" by the Environmental Campaign Committee and the Environmental Protection Department

– "Best Label Award 2018/2019 – Best Jewelry" by Marie Claire

– "2019 Outstanding QTS Merchant – Gold Award (Jewellery & Watches)" by Hong Kong Tourism Board

OUTLOOK

The continual trade tensions between China and the United States and social unrest in Hong Kong continues to impact the business and consumer sentiments. The recent COVID-19 spreading worldwide will also inevitably affect the global economy, in particular Mainland China and Hong Kong. The retail industry has been in the front line of the outbreak's impact. The Group foresees the year ahead will be difficult with both local and overseas factors pressuring on our business. However, the Group remains prudently optimistic about the prospects of business growth in long term. The construction of Guangdong-Hong Kong-Macau Greater Bay Area will enable Hong Kong and Macau to maintain its stability of the operating environment and economic progress.

Going forward, the Group will continuously explore new business opportunities to diversify revenue base, so as to create greater value for our investors and stakeholders.

USE OF PROCEEDS FROM PLACING OF NEW SHARES

The Company has received net proceeds of approximately HK$52 million in connection with the placing of new shares and subscription of new shares completed on 18 July 2018, 30 July 2018 and 18 June 2019 for the year ended 30 June 2019. A summary of the utilization of the net proceeds as at 30 June 2019 is set forth below.

	Amount of net proceeds intended to be allocated *HK$* *(approximately)*	Actual utilized amount as of 30 June 2019 *HK$* *(approximately)*	Unutilized amount as of 30 June 2019 *HK$* *(approximately)*
Intended use disclosed in the Company's announcement dated 8 June 2018			
General working capital	15,200,000	15,200,000	–
Intended use disclosed in the Company's announcement dated 20 July 2018			
General working capital	11,700,000	11,700,000	–
Intended use disclosed in the Company's announcement dated 29 May 2019			
Repayment of indebtedness/general working capital	25,100,000	1,300,000	23,800,000
	52,000,000	28,200,000	23,800,000

Expected completion timeline for utilizing the remaining net proceeds

For the unutilized net proceeds up to 30 June 2019, the Company intends to use them in the manner as described below. The expected completion timeline for utilizing the remaining unused net proceeds is set out below:

	Expected timeline for utilizing the remaining unused net proceeds (Noted)
Repayment of indebtedness	From 1 July 2019 to 30 June 2020
General working capital	From 1 July 2019 to 30 June 2020

Note:

The net proceeds has been utilized as at the date of this annual report.

INVESTOR RELATIONS

The Group highly values its relationships with investors. Committed to maintaining close ties to professionals from the asset management community, the Group has heightened the transparency of its operations, and has through open and effective communication, enabled investors and the investment community to better understand its management philosophy and long-term development plans.

The Group welcomes and treasures investors' comments as they can provide a means to strengthen its value to shareholders. The Group resolves to continue its efforts to create value for investors.

OTHERS

Liquidity and Financial Resources

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. As at 30 June 2019, the Group had total cash and cash equivalents amounting to HK$1,074 million (30 June 2018: HK$799 million) whilst total deficit were HK$9 million (30 June 2018: total equity of HK$197 million). The Group's net borrowing as at 30 June 2019 was HK$995 million (30 June 2018: HK$894 million), being total borrowing of HK$2,069 million (30 June 2018: HK$1,693 million) less pledged bank deposits and bank balances and cash of HK$1,074 million (30 June 2018: HK$799 million). After taking into account the gold inventories of HK$356 million (30 June 2018: HK$386 million), the Group's net borrowing as at 30 June 2019 was HK$639 million (30 June 2018: HK$508 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 30 June 2019, the Group has unutilised revolving banking facilities of HK$296 million (30 June 2018: nil).

Capital Commitments

Capital commitments of the Group as at 30 June 2019 are set out in note 33.

Pledged Assets and Contingent Liabilities

Pledged assets of the Group as at 30 June 2019 are set out in note 35. The Group did not have any material contingent liabilities as at 30 June 2019.

Acquisition, Disposal and Significant Investments

The Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the year ended 30 June 2019.

Events after the reporting period

The Group had the following events after the end of the reporting period:

(a) On 2 October 2019, the Company received a statutory demand from the non-controlling shareholder of a subsidiary demanding repayment of the loan principal amounting approximately HK$57,080,000, with relevant accrued interest, under section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

Further to the statutory demand on 2 October 2019, the Company received a winding-up petition filed by the non-controlling shareholder of a subsidiary against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region on 24 October 2019 (the "Hong Kong Petition"). Pursuant to the consent summons entered into between the Company and the non-controlling shareholder of a subsidiary dated 30 December 2019, the hearing of Hong Kong Petition has been vacated and all proceedings has been stayed upon the determination of Bermuda Petition (as defined below).

On 28 November 2019, the Company received a winding-up petition filed by the non-controlling shareholder of a subsidiary against the Company in the Supreme Court of Bermuda (the "Supreme Court") (the "Bermuda Petition"). On 17 January 2020, The Supreme Court made an order whereby the hearing for Bermuda Petition be adjourned to 21 February 2020. Application of further adjournment of the hearing for Bermuda Petition is proceeding as at the date these consolidated financial statements are authorised for issue.

The directors of the Company are of the opinion that the Company has sufficient working capital to repay such loan from the non-controlling shareholder of a subsidiary and the relevant accrued interest, after taking into the available facilities and the subsequent issuance of convertible bond, and any resulting liability would not materially affect the financial position of the Group.

(b) On 8 December 2019, the Company entered into a loan agreement with Mr. Li Ning, a substantial shareholder of the Company, pursuant to which Mr. Li Ning has agreed to lend an unsecured term loan in the principal amount of HK$59,000,000 for a term of 3 months at an interest rate of 8% per annum. The unsecured term loan was fully settled by February 2020.

(c) On 16 January 2020, the Group issued convertible bonds with a principal amount of HK$121,950,000 to an independent third party, which will be due in year of 2022 and at an interest rate of 4% per annum.

(d) Due to the outbreak of the Novel Coronavirus ("COVID-19") in early 2020 as well as subsequent quarantine measures and travel restrictions imposed by the government authorities in Hong Kong and Mainland China, various retail shops and counters in Hong Kong and Mainland China have temporarily suspended the operations. Even though certain retail shops and counters have resumed their operations, they are still not yet operating at their normal capacity. The Group will closely monitor the development of COVID-19 and ensure resumption of full operation of its retail operations as soon as possible in light of safety and to the practicable extent. With all the increased uncertainties prompted by the outbreak of COVID-19, the impact on the Group's financial positions and operating results could not be reasonably estimated as at the date these consolidated financial statements are authorised for issue.

Financial Risk and Exposure

The Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 2019.

Employees and Remuneration Policy

As at 30 June 2019, the Group had 1,321 employees (2018: 1,456). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

ADDITIONAL INFORMATION REGARDING THE QUALIFIED OPINION

As disclosed in the paragraph headed "Basis for Qualified Opinion" in the independent auditors' report on the consolidated financial statements of the Group for the year ended 30 June 2019 (the "Independent Auditors' Report"), the auditors of the Company, Deloitte Touche Tohmatsu, had issued a qualified opinion on the consolidated financial statements of the Group for the year ended 30 June 2019.

The matter which gave rise to such qualified opinion related to limitation on inability to obtain all the necessary corroborative evidence concerning all the loans advanced by Prosten Finance Limited ("PFL"), a subsidiary of the Company. The auditors were unable to perform alternative audit procedures to satisfy themselves as to the business rationale and commercial substance, legitimacy, occurrence, accuracy, completeness and presentation of the loan transactions and the appropriateness of the impairment losses recognized for the year ended 30 June 2019; and whether such loan transactions are properly disclosed as related party transactions.

In view of the significant uncertainty on the recoverability of such loan and the relevant interests, the management considered the recoverable amount of the loan and the relevant interests to be nil and it would be appropriate for the Group to make a full impairment of HK$74,400,000 on all loan receivables and HK$11,558,000 on interest receivables.

The Audit Committee is of the view that it is prudent to make full impairment on all the loan receivables and interest receivables and concurred with the management's view to make full impairment. The Audit Committee has reviewed and agreed with the qualified opinion.

In the above circumstances, the full impairment losses have been made on all the loan receivables and interest receivables for the year ended 30 June 2019, and hence the Company expects that the qualified opinion will be removed in the next year's audit except for the effect on comparability of corresponding figures.

The Group has taken the following remedial actions to address the concerns identified in the Independent Auditors' Report.

(a) The Company had engaged the internal control adviser (the "IC Adviser") to review internal control systems and procedures, including but not limited to (i) supervision; (ii) information and communication; (iii) controlled activities; (iv) risk management; (v) internal control environment; and (vi) investment management. The Company had considered the advice provided by the IC Adviser and had implemented the suggested checks and balances accordingly.

(b) All the existing bank signatories of the Involved Former CEO and a former director of the Company, who resigned in August 2018 had been removed and replaced accordingly.

(c) The Group had issued either writs of summons or statutory demand to the defaulted borrowers as at the date of this annual report.

(d) The Involved Former CEO and Involved Former Directors had resigned and/or removed as directors of the Company and/or relevant subsidiaries of the Group (as the case may be).

(e) The legal advisers of SIC had issued demand letters to each of the Involved Former CEO and Involved Former Director for and on behalf of the Company.

(f) Depending on the reply of the Involved Former CEO and Involved Former Directors and subject to the advice of the legal advisers of SIC, the Company will consider initiating relevant legal action and/or filing criminal complaint, when appropriate.

ENVIRONMENTAL

Emissions

The major business segments of the Group including trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and PRC through retailing and licensing, the Group has responsibility to make positive impact and put more effort on environment. During the financial year ended 30 June 2019, the business segments of the Group produce certain degree of emissions, most of which are retail stores based. Emissions profile typically consists of indirect emissions from purchased electricity, paper, transportation and other store consumables. The following data is collected by the company's offices, retail stores and a gold jewellery processing factory, however, the consumption of electricity that has been included in the rent are not provided.

The Group operates in accordance with the local environmental laws and regulations, and were not aware of any material environmental non-compliance that would have a significant adverse impact on the environment. We summarize our efforts in managing energy and resource use, effluent, waste and emissions of air in the paragraphs below.

The Group has implemented the policies to mitigate the adverse effect of carbon dioxide emission. The Group also encourage staff to make a good use of public transportation, switch off electrical appliances when not in use and use conference calls to reduce the frequency of business travel.

The operating activities of the Group does not produce any hazardous wastes to the environment. while the non-hazardous wastes produced are mainly domestic wastes. The Group promotes waste reduction and recycling practices, the Group encourages employees to reuse and recycle useful parts of the waste like jewellery packaging to reduce the waste. The Group will continue looking for ways to reduce land contamination through different measures.

The Group implements measures to minimize the environmental impacts caused by reduction in energy use across the Group. Room temperature is maintained at an optimal, comfortable level to conserve energy.

There are other measures for small savings but heightened awareness. To cut down the use of paper cups, all staff members are encouraged to use glass and cups for their tea and water. To reduce the use of printing paper, employees are encouraged to use duplex printing and reuse single-sized used paper. Recycling bins are generally available and employees are encouraged to make use of them.

The performances in emissions, use of energy and resources during the Reporting Period are as follows:

	Unit	**2019**	2018
Air emissions			
Nitrogen oxides (NO_x)	g	**5,459**	5,076
Particulate matter (PM)	g	**402**	371
Sodium oxides (SO_x)	g	**136**	144
Greenhouse gases			
Scope 1 – Direct emissions	tons of CO2e	**25.1**	26.6
Scope 2 – Indirect emissions	tons of CO2e	**1,199.0**	1,062.4
Scope 3 – Other	tons of CO2e	**68.6**	95.4
Total emissions	tons of CO2e	**1,292.7**	1,184.4

Use of resources

The Group is committed to reduce the environmental impact to the minimum by encouraging staff to reduce the use of energy and other resources, reuse and recycle used materials in daily operations. In offices and factories, the Group adopts natural lighting where possible, while LED light bulbs are used. General light intensity is controlled and the lightings are adjusted according to the needs of different working areas. Also, reducing total paper consumption in offices by keeping electronic format copy instead of printing the documents for filing, publishing advertisements on digital channels and reusing single-sided papers.

In comparison with 2019 and 2018, the increase in the consumption of electricity and water are due to the business segment of gold jewellery processing has been scaled up.

Energy	Unit	**2019**	2018
Electricity	kWh	**1,602,766**	1,381,327
Water	m3	**4,763**	4,168
Petrol	litre	**9,265**	9,814
Paper	kg	**5,888**	7,380

Packing materials

Packaging is an inevitable part in the retail business, in which paper bags contribute to the largest paper consumption. The Group will study possible ways to avoid undue and unnecessary use of packaging materials and recycle whenever appropriate. During the reporting period, the Group has consumed about 235,000 bags, including paper bags and reusable shopping bags and about 22.2 tonnes of boxes which are made mainly made from fabric, wood and cardboard.

Environment and natural resources

Engaging in different business segments including trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and other region in the PRC through retailing and licensing, the Group has minor environmental impact compared to that of many other industries.

The Group continues to review the environmental impact of its operations and make use of best practices across their functions and to develop monitoring of resources consumption data and implementing better performance strategies as to enhance the contributions to environmental sustainability through good environmental practices. The Group does not ignore the opportunity to contribute to sustainability at the office space, and the Group enhances environmental awareness of the employees through various means of internal communications.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group provides an equal and fair working environment with practices and policies of Employment Ordinance in Hong Kong and the Labour Law of the People's Republic of China《中華人民共和國勞動法》along with other relevant laws. The workplace is free from discrimination and received equal opportunities for all despite of age, gender, race, colour, sexual orientation, disability or marital status to increases employee satisfaction. The Group would diversify its staff by means of gender and age to balance the culture and communications between staff. The Group promotes labour diversity and welcomes all manpower, thus putting the principle of fairness into practices.

Employment contract in PRC has been reviewed by the legal consultant. The contract specifies the terms including compensation and dismissal, working hours, leaves and other benefits and welfare for staff. Staff handbook also highlights important information of policies on business conduct and the rights of termination.

To further promote good relationship with employees there will be activities such as staff gathering, social activities and team building for employees to participate to strengthen their work-life balance. The Group had no reported incidents of non-compliance with regulations concerning employment during the year ended 30 June 2019.

Health and safety

The Group implements national law and regulations and other standards, such as the Labour Law of the People's Republic of China《中華人民共和國勞動法》related to work safety and occupational health. The Group provides regular safety training and free physical examination to all staff.

In order to minimise workplace incidents and put the health and safety of the staffs as the priority of productions, the Group has established a set of safety policy and procedures. Every worker was required to follow safety instructions. Workplaces are equipped with fire and safety facilities to prevent and control outbreak of fire accidents. Occupational hazard warning signs and warning instructions at conspicuous place around every workplace.

During the reporting year, no work-related injury or fatality or loss days due to injury was recorded and the Group was not aware of any material non-compliance with relevant laws and regulations that would have any significant impact on the Group.

Development and training

The Group believes the personal development of staff not only enable them to discover their value within the Group, but also contribute to and grow along with the Group. The Group has established a comprehensive training system and assessment criteria from theory, sales technique, and product knowledge. The Group provides orientation and on-the-job training for new staff. Furthermore, Senior staff offers mentorship to new staff to ensure that the culture of the Group and skills of craftsmanship can be inherited. Apart from on-site training mentioned, the Group also has online training platform for expertise training for senior staff.

Labour standards

The Group has formulated policies to ensure all employees and job applicants are entitled to fair opportunity and treatment. The Group strives to complies with the local laws and regulation throughout the recruitment and employment process. Provisions on the Prohibition of Using Child Labor of the People's Republic of China《中華人民共和國禁止使用童工規定》and Employment Law of Hong Kong. prohibit the employment of child labor in any job positions. The human resources department responsible for identity check for every job applicant to ensure any employment of child labor. The Group has a clear staff manual to prohibits forced labor and ensure legal and volunteer employment of all employees.

During the year, the Group does not aware of any non-compliance with any laws and regulations relating to employment and labour practices.

OPERATING PACTICES

Supply chain management

The Group established an integrated and systematic procurement procedure and process in selecting new potential suppliers and reviewing the performance of existing suppliers. All approved suppliers and subcontractors have to fulfil the Group's internal approval processes and enter into the Supplier Agreement to ensure that products and services provided are up-to-standard. Potential supplier has to provide the environmental test report showing the supplier meets with the national standard of PRC. Supplier who found ongoing and regular inspections and assessments are conducted as regulatory monitoring.

The Group conducts sample testing for every batch of raw materials to ensure the quality of the raw materials meets with the industry standard of PRC.

Product responsibility

The Group exercises tight quality control and is meticulous from raw materials procurement, production to sales and after-sales services. Quality check is performed before dispatching the jewellery to the retail shop. All qualified items are marked by batch number. During the Reporting Year, the Group did not receive any material claims against us and recall any products due to quality and safety issues.

The Group understands the importance of intellectual property and makes every effort to safeguard and protect the intellectual property. By the same token, the Group placed much emphasis on the infringement of other intellectual property rights. During the Reporting Year, the Group was not aware of any material non-compliance with relevant laws and regulations that would have any significant impact on the Group in respect of the privacy issue.

Anti-corruption

The Group recognizes the importance of the ethical conducts and integrity of each director and all employees in order to maintain a fair, honest and integrity-based business environment. The Group has formulated a clear code of conduct in respect of the prevention of bribery, employees' interests, conflicts of interest, prevention of extortion and fraud in the employee handbook. Besides, the Group has an anti-bribery policy in place to further provide clear guidelines in respect of anti-bribery and maintaining honesty and integrity. The Group reminds the employees by internal notice to avoid bribery and acceptance of advantages as and when appropriate. Furthermore, employees should report any suspected corruption, bribery or misconducts through the whistleblowing mechanism established by the Group. Such reports are kept confidential and the identity of the whistle-blowers are protected and free from unfair treatment.

During the year ended 30 June 2019, the Group was not aware of any non-compliance with relevant laws and regulations that would have any significant impact on the Group, nor any corruption litigation against the Group or its employees.

COMMUNITY

During the year of 2018 and 2019, the Group upholds the spirit of giving back to the society by playing a part in a series of activities.

- A wholly-owned subsidiary of the Group, 3D-GOLD Jewellery (HK) Limited, was awarded as Caring Company for 5 consecutive years or above by The Hong Kong Council of Social Service ("HKCSS"). The scheme aims at cultivating good corporate citizenship. It is specifically geared to build strategic partnerships among businesses and non-profit organizations to create a more cohesive society.

5 years+ 商界展關懷 caringcompany®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

- In December 2018, the Group participated in "Love Teeth Day 2018/2019" (「2017/2018公益愛牙日」) which was jointly held by the Hong Kong Community Chest, the Hong Kong Dental Association and the Department of Health. The campaign with an aim of enhancing the oral health services for the needy.

- In March 2019, the Group participated in "Skip Lunch Day 2019" (公益行善「折」食日2019) held by the Community Chest which encouraged our employees to donate their lunch fees to support the services for street sleepers and residents in cage homes.

- During the year, the Group supported "People's Food Bank" of St. James' Settlement by making donation for providing food to Hong Kong people in need on a short-term and weekly basis. The Group also forms a volunteer team to join the volunteer service of St. James' Settlement.

ESG Reporting Guide General Disclosures

Aspect	General Disclosure with KPI
	A. Environmental
A1. Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
A2. Use of Resources	Policies on efficient use of resources, including energy, water and other raw materials
A3. The Environment and Natural Resources	Policies on minimizing the issuer's significant impact on the environment and natural resources.

Aspect	General Disclosure
	B. Social
B1. Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.
B2. Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.
B3. Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.
B4. Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.
B5. Supply Chain Management	Policies on managing environmental and social risks of the supply chain.

	ESG Reporting Guide General Disclosures
B6. Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.
B7. Anti-Corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.
B8. Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.

Profiles of Directors

The profiles of Directors as at 11 March 2020, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Li Ning, aged 34, was appointed as an executive Director and Chairman of the Board on 12 June 2019. Mr. Li graduated from People's Public Security University of China. Mr. Li was the chairman of 山西太和相業實業集團有限公司 (Shanxi Taihe Xiangye Industrial Group Company Limited) and started his businesses of 上海玆諾金融信息服務有限公司 (Shanghai Zno Financial Information Service Company Limited) and 深圳市前海普諾供應鏈有限公司 (Shenzhen Qianhai Puno Supply Chain Company Limited). He has extensive experience in corporate investment, corporate management and financial services.

Ms. Dai Wei, aged 40, was appointed as an Executive Director on 31 May 2017. Ms. Dai holds a double master degree in Financial and Acturial Engineering from Katholic University of Leuven, Belgium. Ms. Dai has worked for ING Bank and China Sonangol International Limited. Ms. Dai was the chief financial officer of Titan Petrochemicals Group Limited (stock code: 1192), a company listed on the main board of the Stock Exchange. Ms. Dai is currently a director of Weltrade Group Limited, the substantial shareholder of the Company. Ms. Dai has been assigned key positions in a number of cross border merger and acquisition and investment projects in gas, oil and mining.

Mr. Hu Hongwei, aged 40, was appointed as a non-executive Director on 29 March 2019 and re-designated as an executive Director of the Company on 14 July 2019. Mr. Hu is an attorney-at-law admitted to practice in China. He was graduated from Fudan University with a Bachelor of Laws (LLB) degree and Master of Laws (LLM) degree. He is currently a partner of Shanghai office of Dentons. He has extensive experience in legal aspects of cross-border investment, restructuring and mergers and acquisitions practice. Mr. Hu has been an independent non-executive director of Tenwow International Holdings Limited (stock code: 1219) from 26 November 2018 and re-designated as a non-executive Director on 12 July 2019. Mr. Hu had served as an independent non-executive director, a non-executive director and an executive director of a Hong Kong listed company Titan Petrochemicals Group Limited (stock code: 1192) respectively from November 2015 to February 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu alias Loke Hoi Lam, aged 70, was appointed as an Independent Non-executive Director on 31 May 2017. Dr. Loke has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a master of business administration degree from Universiti Teknologi Malaysia and a doctor of business administration degree from University of South Australia. Dr. Loke is a fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries. He is also a member of the Hong Kong Independent Non-Executive Directors Association.

Dr. Loke serves as an independent non-executive director of V1 Group Limited (stock code: 82), CIMC-TianDa Holdings Company Limited (stock code: 445), Matrix Holdings Limited (stock code: 1005), Zhong An Group Limited (stock code: 672), Chiho Environmental Group Limited (stock code: 976), Tianjin Development Holdings Limited (stock code: 882), Tianhe Chemicals Group Limited (stock code: 1619), Lamtex Holdings Limited (stock code: 1041), Forebase International Holdings Limited (stock code: 2310), Hang Sang (Siu Po) International Holding Company Limited (stock code: 3626), Zhenro Properties Group Limited (stock code: 6158), TC Orient Lighting Holdings Limited (stock code: 0515) and TradeGo FinTech Limited (stock code: 8017). All of these companies are listed on the main board of the Stock Exchange.

Mr. Xu Xiaoping, aged 54, was appointed as an Independent Non-executive Director on 31 May 2017. Mr. Xu is an experienced management personnel. Mr. Xu started his career in 1989 and has served in深華貿易有限公司 (Shen Hua Trading Limited) and 天奇電子有限公司 (Tian Qi Electrons Limited), which were companies carrying on the business of online banking services in the PRC. Mr. Xu has also acted as the chairman of the board of directors of 深圳市奔翔物流有限公司(Shenzhen Ben Xiang Logistics Limited), a company carrying on the business of air cargo services in the PRC. Mr. Xu is currently the investor of 嘉興友本投資合夥企業 (Jia Xing You Ben Investment Partnership), which is engaged in the venture capital business. Mr. Xu is an independent non-executive director of Prosten Health Holdings Limited (stock code: 8026), a company listed on the Growth Enterprise Market of the Stock Exchange. He was a non-executive director of PPS International (Holdings) Limited (stock code: 8201), a company listed on the Growth Enterprise Market of the Stock Exchange, from 22 October 2015 to 3 July 2016.

Mr. Fan, Anthony Ren Da, aged 59, was appointed as an Independent Non-executive Director on 30 September 2008. Mr. Fan holds a master degree of business administration from the United States. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange.

Mr. Fan is an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Citic Resources Holdings Limited (Stock Code: 1205), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), China Dili Group (formerly known as: Renhe Commercial Holdings Company Ltd.) (Stock Code: 1387), Technovator International Limited (Stock Code: 1206), Tenfu Cayman Holdings Company Limited. (Stock Code: 6868), China Development Bank International Investment Limited (Stock Code: 1062), Raymond Industrial Limited (Stock Code: 229), Semiconductor Manufacturing International Corporation (Stock Code: 981) and Neo-Neon Holdings Limited (Stock Code: 1868). Mr. Fan was an independent non-executive director of CGN New Energy Holdings Co., Ltd. (Stock Code: 1811) from 30 September 2014 to 26 June 2018. All of these companies are listed on the main board of the Stock Exchange.

Corporate Governance Report

The Company is committed to establishing and maintaining a high standard of corporate governance in every aspect of its conduct of business operations. The Company believes that by adopting and embracing a well-balanced set of corporate governance principles will ensure that the best interests of shareholders and other stakeholders, customers, suppliers and other business counter parties are served.

The Company's code on corporate governance practices was adopted with reference to the code provisions on Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company principally complied with the CG Code throughout the year ended 30 June 2019 (the "**Year**"), except for the following deviations:

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Xu Zhigang, a former executive Director and chief executive officer, has assumed the role of Chairman of the Board. On 12 June 2019, Mr. Li Ning is appointed as an executive Director and Chairman of the Board to provide strong leadership and ensure the execution of the Group's strategies and policies. After the resignation of Mr. Xu Zhigang as chief executive officer on 4 October 2019, Mr. Li Ning has been assuming the role of chief executive officer. The Board is of the view that currently vesting the roles of chairman and chief executive in Mr. Li Ning provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

CG Code A.4.1 stipulates that the non-executive directors should be appointed for a specific term, subject to re-election. The Company has not fixed the term of appointment for independent non-executive directors. However, all independent non-executive directors are subject to retirement by rotation at least every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

The current corporate governance practices of the Company will be reviewed and updated in a timely manner in order to comply with the Listing Rules.

Non-Compliance with Financial Reporting Provisions of the Listing Rules

On 27 September 2019, the Company announces that as additional time is required to provide for the Company's auditors to complete their audit procedures in respect of the financial information of the Group for the year ended 30 June 2019, the Company could not timely publish its annual results and annual report as required under the Listing Rules.

As such, the Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the financial year ended 30 June 2019 and interim results for the six months period ended 31 December 2019; and (ii) publishing the related annual report and interim report for the above-mentioned year and period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. All directors of the Company (the "**Director(s)**") have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

The Board comprises the following Directors during the Year and up to the date of this annual report. Brief profiles of the Directors are set out on pages 29 to 30 of this annual report. During the Year, nine board meetings and two general meetings were held and the attendance of each Director is set out below:

	Attendance/Number of meetings		
	Board meetings	**Annual general meeting**	**Special general meeting**
Executive Directors			
Mr. Li Ning, *Chairman (appointed on 12 June 2019)*	1/1	N/A	N/A
Mr. Xu Zhigang *(re-designated as non-executive Director on 4 October 2019 and resigned as non-executive Director on 7 January 2020)*	9/9	1/1	1/1
Mr. Lam Kwok Hing, Wilfred, J.P. *(resigned on 12 June 2019)*	7/7	1/1	0/1
Mr. Wu Xiaolin *(resigned on 28 August 2018)*	N/A	N/A	0/1
Mr. Zhao Jianguo *(resigned on 12 June 2019)*	6/7	0/1	0/1
Ms. Dai Wei	8/9	0/1	1/1
Mr. Hu Hongwei *(appointed as non-executive Director on 29 March 2019 and re-designated as executive Director on 14 July 2019)*	3/3	N/A	N/A
Independent Non-executive Directors			
Dr. Loke Yu alias Loke Hoi Lam	9/9	1/1	0/1
Mr. Xu Xiaoping	9/9	0/1	0/1
Mr. Fan, Anthony Ren Da	9/9	0/1	0/1

The primary responsibilities of the Board are to establish the Group's vision, strategic direction, general policies and strategic business plans; to monitor and control the operating and financial performance of the Group; to implement the best corporate governance practices throughout the Group; and to set appropriate policies to assess and manage risks in pursuit of the strategic objectives of the Group.

The Board has delegated the daily operations of the Company to the Management comprising all executive Directors, management staff, and operating heads of different business units. The main responsibilities of the Management are to implement the strategies and business plans set by the Board and to manage the Group's business operations in accordance with the policies and directives of the Board.

All the Directors do not have any financial, business, family or other material/relevant relationship with each other.

The Directors have been informed of the requirement under CG Code A.6.5 regarding continuous professional development. The Company has received from each of the Directors a written record of his or her continuous professional development.

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed annually.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information are set out below:

(1) Mr. Li Ning was appointed as an executive Director and Chairman of the Board of the Company on 12 June 2019.

(2) Mr. Xu Zhigang was re-designated as a non-executive Director of the Company on 4 October 2019 and resigned as a non-executive Director of the Company on 7 January 2020.

(3) Mr. Lam Kwok Hing, Wilfred, J.P. resigned as an executive Director of the Company on 12 June 2019.

(4) Mr. Wu Xiaolin resigned as an executive Director of the Company on 28 August 2018.

(5) Mr. Zhao Jianguo resigned as an executive Director of the Company on 12 June 2019.

(6) Mr. Hu Hongwei

(a) Appointed as a non-executive Director of the Company on 29 March 2019 and re-designated as an executive Director of the Company on 14 July 2019.

(b) The remuneration payable by the Company per month has increased from HK$60,000 to HK$120,000 with effect from 1 November 2019.

(7) Dr. Loke Yu alias Loke Hoi Lam

(a) Resigned as an independent non-executive Director of China Household Holdings Limited (stock code: 692) on 6 August 2018.

(b) Resigned as an independent non-executive Director of Scud Group Limited (stock code: 1399) on 27 September 2018.

(c) Resigned as an independent non-executive Director of China Beidahuang Industry Group Holdings Limited (stock code: 39) on 1 November 2018.

(d) The remuneration payable by the Company per month has increased from HK$25,000 to HK$30,000 with effect from 1 November 2019.

DIVERSITY OF THE BOARD

The Company has adopted a board diversity policy to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee monitors the implementation of the board diversity policy to ensure its effectiveness.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference which are available on the Stock Exchange's website and on the Company's website.

Remuneration Committee

The Remuneration Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, one Remuneration Committee meetings were held and the attendance of each member is set out below:

Remuneration Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Mr. Xu Xiaoping, *Chairman*	1/1
Dr. Loke Yu alias Loke Hoi Lam	1/1
Mr. Fan, Anthony Ren Da	1/1

The main duties of the Remuneration Committee are to (i) make recommendation to the Board on policy and structure for the remuneration of Directors and senior management; (ii) review and determines the remuneration packages of executive Directors and senior management of the Group with reference to the corporate goals and objectives; and (iii) ensure that no Director or any of his associate is involved in deciding his own remuneration.

During the Year, the Remuneration Committee had reviewed and approved matters relating to the remuneration of the executive Directors, non-executive Directors and independent non-executive Directors, after assessing the individual performance and in consultation with the proposals of the Chairman of the Company.

Nomination Committee

The Nomination Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, three Nomination Committee meetings were held and the attendance of each member is set out below:

Nomination Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam	3/3
Mr. Xu Xiaoping	3/3
Mr. Fan, Anthony Ren Da	3/3
Executive Directors	
Mr. Li Ning, *Chairman (appointed as Chairman of Nomination Committee on 14 July 2019)*	N/A
Mr. Xu Zhigang, *Chairman (resigned as Chairman of Nomination Committee on 14 July 2019)*	3/3

The main duties of the Nomination Committee are to (i) review the structure, size and composition of the Board, (ii) make recommendations to the Board regarding any proposed change and to identify individual suitably qualified to become the Board members; (iii) assess the independence of independent non-executive directors and (iv) make recommendations to the Board on relevant matters relating to the appointment of Directors and succession plan for Directors.

During the Year, the Nomination Committee had considered matters relating to the structure, size and composition of the Board, the re-election of retiring directors at the annual general meeting of the Company, the re-designation of directorship and the appointment of new directors and committee members.

The terms of reference of the Nomination Committee includes the consideration of board diversity whenever there is the requirement for the nomination of a Director. The diversity of board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience. The Committee will also take into account the Company's business model and specific needs.

Nomination Policy

The secretary of the Company shall call a meeting of the Nomination Committee, and invite nominations of candidates from the Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by the Board members. The factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for a director include, inter alia, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, diversity of the Board, and such other perspectives appropriate to the Company's business. The Nomination Committee shall make recommendations for the Board's consideration and approval.

Audit Committee

The Audit Committee comprises the following Directors during the Year and up to the date of this annual report. During the Year, two Audit Committee meetings were held and the attendance of each member is set out below:

Audit Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam, Chairman	2/2
Mr. Xu Xiaoping	2/2
Mr. Fan, Anthony Ren Da	2/2

The main duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the employee, internal auditors and external auditors; (ii) review the adequacy and effectiveness of the Group's financial reporting system and internal control system; and (iii) review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, reappointment and removal of external auditors.

During the Year, the Audit Committee had:

(i) reviewed the Group's annual report for the year ended 30 June 2019 and the Group's interim report for the 6 months ended 31 December 2018 with the external auditors;

(ii) reviewed the external auditors' letter to the management and responses of the management;

(iii) reviewed the effectiveness of the Group's risk management and internal control systems;

(iv) reviewed the internal audit findings and recommendations of the Internal Audit Department and the responses of the management; and

(v) reviewed the continuing connected transactions entered into by the Group.

The Audit Committee had reviewed with the external auditors the financial statements of the Group for the year ended 30 June 2019.

AUDITOR'S REMUNERATION

During the Year, the remuneration paid or payable to the Company's auditor is set out below:

Auditor	**Services rendered**	**Fees paid/payable**
		HK$'000
Deloitte Touche Tohmatsu	Audit services	3,643
Deloitte Touche Tohmatsu	Non-audit services	620

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the financial statements that give a true and fair view of the Group's financial position and are in accordance with applicable accounting standards and statutory rules and guidelines. The financial statements are prepared on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually. The Management has been delegated the responsibility of identifying and evaluating the risks faced by the Group and of designing, operating and monitoring an effective internal control system that covers governance, compliance, risk management, financial as well as operational control.

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review. The Management is delegated to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority, and assists the Board to manage and control such risks by ensuring an effective risk management system is maintained and operated within the Group.

The internal control system is designed to provide reasonable, but not absolute, assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding the Group's assets, providing reliable financial reporting information and complying with the applicable laws and regulations. Systems and procedures are also established to identify, measure, manage and control, rather than eliminate, different risks arising from different business and functional activities.

The Group's Internal Audit Department plays an important role in enhancing internal control system of the Group. It assists the Board in determining whether sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic audits over major operations of the Group, under a rotational cycle. If any material risks or internal control defects are found, the Group's Internal Audit Department will discuss with respective department heads to have actions agreed and subsequently followed up, in order to ensure that satisfactory controls is maintained. A summary of the internal audit activities and audit results will be submitted to the Board and the Audit Committee twice a year for review and all improvement actions will be properly followed up by the Management to ensure that they are implemented within a reasonable period of time.

The Group complies with requirements of the SFO and the Listing Rules and regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Group strictly prohibited unauthorized use of confidential or inside information.

The auditor of the Company has raised queries about the commercial substance of the loan transactions advanced by PFL, a subsidiary of the Company. The SIC has been formed to undertake investigation on matters pertaining to the loans transactions. The SIC has engaged an independent professional firm to undertake an independent investigation. The investigation report has indicated ineffective internal control mechanism for those loan transactions.

In January 2020, the Company engaged the IC Adviser to review and advise on the internal audit at the corporate level on the following matters, (i) supervision; (ii) information and communication; (iii) controlled activities; (iv) risk management; (v) internal control environment; and (vi) investment management.

Pursuant to the internal control report (the "IC Report") issued by the IC Adviser, the IC Adviser has commenced the preparation work in January 2020 and then they confirmed the understanding through interview in February 2020 in respect of its review on the internal audit at the corporate level on the above scope and the IC Adviser had the following findings:

1. the corporate internal control in relation to financial statement reporting and disclosure has moderate risk in light of delay in publication the annual results of the Company for the year ended 30 June 2019 and the interim results of the Company for the six months ended 31 December 2019; and

2. the Company did not have a proper investment management policy for investment management in place which constituted low risk in the investment management of the Company.

The Company has published the annual results of the Company for the year ended 30 June 2019 on 11 March 2020 and the interim results of the Company for the six months ended 31 December 2019 on 16 March 2020. Further, pursuant to the board resolutions on 16 March 2020, the Board has adopted an investment management policy as suggested by the IC Adviser. As such, all concerns of the IC Adviser have been fully addressed. Save for the above findings, the IC Adviser confirmed in the IC Report that the internal controls and procedures of other areas under review were in place and no material non-compliances were found. Hence, the Company is able to demonstrate that it has in place adequate internal controls and procedures to comply with the Listing Rules.

The Board and the Audit Committee have reviewed the effectiveness of the Group's risk management and internal control systems for the Year, covering all material financial, operational and compliance controls, and considered the Group's risk management and internal control systems to be effective and adequate.

COMPANY SECRETARY

Ms. Ho Suet Man Stella has been appointed as the company secretary of the Company with effect from 30 March 2018. Ms. Ho is the chief financial officer of the Company.

SHAREHOLDERS' RIGHTS

Pursuant to Bye-Law 58 of the Bye-Laws of the Company, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The general meetings of the Company provide channels of communication for shareholders to give their views and comments to the Company.

Shareholders may send their enquires to the Board by post to Room 905, 9/F., Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong to the attention of the Board of Directors.

MEMORANDUM AND BYE-LAWS OF THE COMPANY

No amendments were made to the Memorandum and Bye-Laws of the Company during the Year.

Directors' Report

The directors of the Company (the "Directors") present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 30 June 2019 (the "Year").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

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 53.

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2019 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

A fair review and the outlook of the Group's business are provided in the Letter to Shareholders on page 11 and the Management Discussion and Analysis on pages 12 to 21 of this annual report. The financial risk management objectives and policies of the Group are set out in note 38 to the consolidated financial statements.

An account of the Group's relationship with its key stakeholders and discussions on the Group's environmental policies and performance and compliance with relevant laws and regulations are included in the Environmental, Social and Governance Report on pages 22 to 28 and the Corporate Governance Report on pages 31 to 38.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 40 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Li Ning, *Chairman* (appointed on 12 June 2019)
Mr. Xu Zhigang (re-designated as non-executive Director on 4 October 2019 and resigned as non-executive Director on 7 January 2020)
Mr. Lam Kwok Hing, Wilfred, J.P. (resigned on 12 June 2019)
Mr. Wu Xiaolin (resigned on 28 August 2018)
Mr. Zhao Jianguo (resigned on 12 June 2019)
Ms. Dai Wei
Mr. Hu Hongwei (appointed as non-executive Director on 29 March 2019 and re-designated as executive Director on 14 July 2019)

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
Mr. Xu Xiaoping
Mr. Fan, Anthony Ren Da

In accordance with the Company's bye-laws, Mr. Hu Hongwei and Mr. Li Ning shall retire from office at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2019, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 Listed Companies set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares

	Number of ordinary shares				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**% of issued ordinary shares**
Mr. Li Ning	–	–	210,000,000	210,000,000	16.58%
Mr. Xu Zhigang	–	–	–	–	–
Ms. Dai Wei	–	–	–	–	–
Mr. Hu Hongwei					
Dr. Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Mr. Xu Xiaoping	–	–	–	–	–
Mr. Fan, Anthony Ren Da	–	–	–	–	–

Notes:

(a) The shares are held by Eminent Rise Holdings Limited ("Eminent Rise"). Eminent Rise is a company wholly-owned by Mr. Li Ning, an executive Director and Chairman of the Board.

(b) On 18 July 2018, the Company has conducted a share consolidation whereby every four existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of par value of HK$0.04 each. The percentage of shareholding is calculated based on 1,266,716,012 issued shares as at 30 June 2019.

(b) Long positions in underlying shares of equity derivatives of the Company

Name of director	Capacity	Number of shares interested	% of issued ordinary shares
Ms. Dai Wei	Beneficial owner (Note a, b)	8,750,000	0.69%
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note a, b)	875,000	0.07%
Mr. Xu Xiaoping	Beneficial owner (Note a, b)	875,000	0.07%
Mr. Fan, Anthony Ren Da	Beneficial owner (Note a, b)	1,354,084	0.11%

Notes:

(a) All interests above are in the form of share options of the Company.

(b) On 18 July 2018, the Company has conducted a share consolidation whereby every four existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of par value of HK$0.04 each. The percentage of shareholding is calculated based on 1,266,716,012 issued shares as at 30 June 2019.

Saved as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 30 June 2019.

SHARE OPTIONS AND CONVERTIBLE BONDS

Particulars of the Company's share option scheme and convertible bonds are set out in notes 31 and 23 to the consolidated financial statements respectively.

Save for the share option scheme and convertible bonds, no other equity-linked agreements were entered into by the Company during the Year or subsisting at the end of the Year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the share options disclosed above, at no time during the Year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(a) Long positions in shares of the Company

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	% of issued ordinary shares
Mr. Zheng Yue Wen	Corporate interest (Note a, d)	251,055,619	19.82%
Mr. Wen Jialong	Beneficial owner (Note a, d)	1,415,489	0.11%
	Corporate interest (Note a, d)	251,055,619	19.82%
Hallow King Global Investment Limited	Corporate interest (Note a, d)	251,055,619	19.82%
Kerui Jinrong Company Limited	Corporate interest (Note a, d)	251,055,619	19.82%
Weltrade Group Limited	Beneficial owner (Note a, d)	251,055,619	19.82%
Mr. Li Ning	Corporate interest (Note b, d)	210,000,000	16.58%
Eminent Rise Holdings Limited	Beneficial owner (Note b, d)	210,000,000	16.58%
Mr. Wong Wai Sheung	Beneficial owner (Note d)	1,457,857	0.12%
	Corporate interest (Note c, d)	19,224,998	1.52%
Mr. Chan Wai	Beneficial owner (Note d)	250,000	0.02%
	Family interest (Note d)	25,000	0.00%
	Corporate interest (Note c, d)	19,224,998	1.52%
Mr. Tse Moon Chuen	Beneficial owner (Note d)	416,000	0.03%
	Corporate interest (Note c, d)	19,224,998	1.52%
Mr. Lee Shu Kuan	Corporate interest (Note c, d)	19,224,998	1.52%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note c, d)	19,224,998	1.52%
Luk Fook (Control) Limited	Corporate interest (Note c, d)	19,224,998	1.52%
Luk Fook Holdings (International) Limited	Corporate interest (Note c, d)	19,224,998	1.52%
Luk Fook Holdings Company Limited	Beneficial owner (Note c, d)	11,250,000	0.89%
Luk Fook 3D Management Company Limited	Beneficial owner (Note c, d)	7,974,998	0.63%

Notes:

(a) The shares are held by Weltrade Group Limited ("Weltrade"). Weltrade is a company wholly-owned by Kerui Jinrong Company Limited. Keru Jinrong Company Limited is in turn owned by Mr. Zheng Yue Wen, Mr. Xiang Hong and Hallow King Global Investment Limited as to 40%, 20% and 40% respectively. Hallow King Global Investment Limited is an entity wholly-owned by Mr. Wen Jialong. As such, Mr. Zheng Yue Wen and Mr. Wen Jialong are deemed to be interested in all the shares held by Weltrade.

(b) The shares are held by Eminent Rise Holdings Limited ("Eminent Rise"). Eminent Rise is a company wholly-owned by Mr. Li Ning, the executive Director and Chairman of the Board.

(c) The corporate interest represents the aggregate of the two lots of shares being 11,250,000 shares held by Luk Fook Holdings Company Limited and 7,974,998 shares held by Luk Fook 3D Management Company Limited. Luk Fook Holdings Company Limited and Luk Fook 3D Management Company Limited are wholly owned by Luk Fook Investment (B.V.I.) Limited. Luk Fook Investment (B.V.I.) Limited is wholly owned by Luk Fook Holdings (International) Limited. Luk Fook (Control) Limited controls over one-third of the voting power of Luk Fook Holdings (International) Limited. Mr. Wong Wai Sheung is a discretionary beneficiary of the Wong's Family Trust (the "Trust"). The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which controls over one-third of the voting power of Luk Fook (Control) Limited. Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen and the administrator of Mr. Lee Shu Kuan collectively control (directly or indirectly) over one-half of the voting power of Luk Fook (Control) Limited. Accordingly, Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, the administrator of Mr. Lee Shu Kuan, Kwai Kee Cheung Jewellery & Goldsmith Company Limited, Luk Fook (Control) Limited and Luk Fook Holdings (International) Limited are deemed to be interested in such shares.

(d) On 18 July 2018, the Company has conducted a share consolidation whereby every four existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of par value of HK$0.04 each. The percentage of shareholding is calculated based on 1,266,716,012 issued shares as at 30 June 2019.

(b) Long positions in underlying shares of equity derivatives of the Company

Name of substantial shareholder	Capacity	Number of shares interested	% of issued ordinary shares
Mr. Wen Jialong	Beneficial owner (Note a, c)	5,000,000	0.39%
Mr. Wong Wai Sheung	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Mr. Chan Wai	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Mr. Tse Moon Chuen	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Mr. Lee Shu Kuan	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Kwai Kee Cheung Jewellery & Goldsmith Company Limited	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Luk Fook (Control) Limited	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Luk Fook Holdings (International) Limited	Corporate interest (Note b, c, d, e)	80,168,539	6.33%
Luk Fook 3D Management Company Limited	Beneficial owner (Note b, c, d, e)	80,168,539	6.33%

Notes:

(a) These derivatives comprise interests in 5,000,000 shares in the form of share option held by Mr. Wen Jialong.

(b) The corporate interest represents the same lot of convertible bond held by Luk Fook 3D Management Company Limited convertible into shares of the Company. Luk Fook 3D Management Company Limited is wholly owned by Luk Fook Investment (B.V.I.) Limited. Luk Fook Investment (B.V.I.) Limited is wholly owned by Luk Fook Holdings (International) Limited. Luk Fook (Control) Limited controls over one-third of the voting power of Luk Fook Holdings (International) Limited. Mr. Wong Wai Sheung is a discretionary beneficiary of the Trust. The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which controls over one-third of the voting power of Luk Fook (Control) Limited. Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen and the administrator of Mr. Lee Shu Kuan collectively control (directly or indirectly) over one-half of the voting power of Luk Fook (Control) Limited. Accordingly, Mr. Wong Wai Sheung, Mr. Chan Wai, Mr. Tse Moon Chuen, the administrator of Mr. Lee Shu Kuan, Kwai Kee Cheung Jewellery & Goldsmith Company Limited, Luk Fook (Control) Limited and Luk Fook Holdings (International) Limited are deemed to be interested in the convertible bond held by Luk Fook 3D Management Company Limited.

(c) On 18 July 2018, the Company has conducted a share consolidation whereby every four existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of par value of HK$0.04 each. The percentage of shareholding is calculated based on 1,266,716,012 issued shares as at 30 June 2019.

(d) As at 30 June 2019, the total number of shares interested has been adjusted to 80,168,539 at an adjusted conversion price of HK$0.712.

(e) Luk Fook 3D Management Company Limited is a holder of the convertible bonds ("Luk Fook 3DM CB") in the principal amount of HK$57,080,000 issued by the Company on 6 June 2014. The Luk Fook 3DM CB conferred the right to convert into 80,168,539 shares upon fully exercise the conversion right attached thereto. The conversion right attached to the Luk Fook 3DM CB expired on 6 June 2019 and the Luk Fook 3DM CB became a straight bond with no right to convert into any shares of the Company. Hence, Luk Fook 3D Management Company Limited and its shareholder(s) and/or ultimate beneficial owner(s) ceased to have interest in 80,168,539 shares upon the expiry of the conversion right attached to the Luk Fook 3DM CB.

Saved as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in sections headed "CONTINUING CONNECTED TRANSACTIONS" below and note 36 to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

CONTINUING CONNECTED TRANSACTIONS

On 29 June 2016, China Gold Silver Group Company Limited ("CGS") and Maxigood Enterprises Limited ("Maxigood") entered into a framework agreement for supply of goods ("Supply Agreement"), pursuant to which Maxigood shall sell to CGS, and CGS shall purchase from Maxigood, raw materials and/or finished goods in respect of platinum and gold jewelleries and gold ornaments, gem-set jewelleries, jadeites, gemstones and other accessory items for a term of three years from 1 July 2016 to 30 June 2019. The maximum annual amount of consideration payable by CGS to Maxigood under the Supply Agreement shall be no more than HK$300,000,000, HK$385,000,000 and HK$480,000,000 for each of the three years ending 30 June 2017, 2018, and 2019, respectively. During the year ended 30 June 2019, the purchases of CGS and its subsidiaries from Maxigood and its fellow subsidiaries pursuant to the Supply Agreement amounted to approximately HK$12,383,000. CGS is owned as to 50% by each of the Company and Luk Fook 3D Management Company Limited ("Luk Fook"), and is accounted for as a subsidiary of the Company. Luk Fook and Maxigood are wholly-owned subsidiaries of Luk Fook Holdings (International) Limited ("Luk Fook Holdings"). As such, Luk Fook, Luk Fook Holdings and Maxigood are connected persons of the Company at the subsidiary level and the Supply Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 29 June 2016.

On 29 June 2016, 3D-GOLD Management Services Limited ("3DM"), a wholly owned subsidiary of CGS, and Luk Fook entered into a competitiveness enhancement agreement ("Competitiveness Enhancement Agreement"), pursuant to which Luk Fook shall provide to CGS and its subsidiaries ("CGS Group") such services and assistance that enhance and improve operation efficiency and competitiveness, and improve product quality and standards of the businesses of the CGS Group, being the trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and Mainland China through retailing, franchising and e-commerce under the brand names of "3D-GOLD" and「金至尊」and other brand(s) currently owned or licensed to the CGS Group, and such other business or activities, brand(s) and territories as the shareholders of CGS may agree from time to time for a term of three years from 1 July 2016 to 30 June 2019. The maximum annual service fee payable by 3DM to Luk Fook pursuant to the Competitiveness Enhancement Agreement shall be no more than the lower of (i) 6% of the audited consolidated profit of the CGS Group before taxation and deduction of the service fee payable under the Competitiveness Enhancement Agreement for the financial year or (ii) HK$10,000,000 for each of the three years ending 30 June 2017, 2018, and 2019, respectively. During the year ended 30 June 2019, no fee was charged by Luk Fook to 3DM pursuant to the Competitiveness Enhancement Agreement. The Competitiveness Enhancement Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 29 June 2016.

On 19 November 2018, CGS entered into a service agreement ("Service Agreement") with GS Tech Company Limited ("GS Tech"), a company incorporated in Hong Kong and 92% indirectly owned by the Wong's family trust, of which Mr. Wong Ho Lung Danny, an executive director of CGS and one of the discretionary beneficiaries, pursuant to which CGS shall pay to GS Tech a monthly maintenance fee covering the maintenance services provided by GS Tech for the Computer Programs used by the CGS Group's retail outlets and head offices for a term of the period from 1 July 2018 to 30 June 2021. The maximum annual maintenance fee payable by CGS to GS Tech pursuant to the Service Agreement shall be no more than HK$7,000,000, HK$8,000,000 and HK$10,000,000 for each of the three years ending 30 June 2019, 2020 and 2021, respectively. During the year ended 30 June 2019, the service fee charged by GS Tech to CGS pursuant to the Service Agreement was approximately HK$5,121,000. The Service Agreement constitutes a continuing connected transaction as GS Tech is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 19 November 2018.

On 19 November 2018, 尊福珠寶(重慶)有限公司 ("ZF Jewellery"), a wholly owned subsidiary of CGS, entered into a framework agreement ("Framework Agreement") with重慶福華珠寶首飾有限公司("Chongqing Fook-Wah") for a term of the period from 1 July 2018 to 30 June 2021. The Framework Agreement governs the terms in respect of the opening of franchised retail outlets by Chongqing Fook-Wah in the PRC, which include, for each franchised retail outlet to be opened, the entering into of (i) a franchise agreement between ZF Jewellery and Chongqing Fook-Wah; (ii) a service agreement between 重慶金至尊營銷策劃有限公司 ("CGS Marketing") and Chongqing Fook-Wah; and (iii) a purchase agreement between 重慶金至尊飾品設計有限公司 ("CGS Design") and Chongqing Fook-Wah. Pursuant to the franchise agreement and service agreement, Chongqing Fook-Wah shall be granted the license from CGS Shenzhen to use the "3D-GOLD" brand and CGS Marketing shall provide support services in relation to the use of the brand by Chongqing Fook-Wah, respectively. Pursuant to the purchase agreement, CGS Design shall supply, and Chongqing Fook- Wah shall purchase from CGS Design, finished goods in respect of platinum and gold jewelleries and gold ornaments, gem-set jewelleries, gemstones and other accessory items. The maximum annual service fee payable by Chongqing Fook-Wah to ZF Jewellery and CGS Marketing for the support services in relation to the use of the brand pursuant to the framework agreement, franchise agreement and service agreement shall be no more than RMB3,000,000, RMB4,000,000 and RMB5,000,000 (equivalent to approximately HK$3,458,000, HK$4,611,000 and HK$5,764,000) for each of the three years ending 30 June 2019, 2020 and 2021, respectively. The maximum amount payable by Chongqing Fook-Wah to CGS Design for the purchase of finished goods pursuant to the purchase agreement shall be no more than RMB13,000,000, RMB25,000,000 and RMB50,000,000 (equivalent to approximately HK$14,986,000, HK$28,818,000 and HK$57,637, 000) for each of the three years ending 30 June 2019, 2020 and 2021, respectively. During the year ended 30 June 2019, the service fee charged by ZF Jewellery, CGS Marketing and its fellow subsidiary to Chongqing Fook-Wah pursuant to the framework agreement, franchise agreement and service agreement was approximately RMB70,000 (equivalent to approximately HK$81,000), and the purchases of Chongqing Fook-Wah from CGS Design pursuant to the purchase agreement amounted to approximately RMB132,000 (equivalent to approximately HK$152,000). As Chongqing Fook-Wah is indirectly owned as to 51% by Luk Fook Holdings, Chongqing Fook-Wah is a connected person of the Company at the subsidiary level and the transactions contemplated under the Framework Agreement, franchise agreement, service agreement and purchase agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 19 November 2018.

On 22 November 2016, 至尊金業(深圳)有限公司("CGS Shenzhen") (as tenant) entered into a tenancy agreement with 六福珠寶營銷策劃(深圳)有限公司("Luk Fook Shenzhen") (as landlord) for the rental of the premise located at Units 3401, 3402, 3403, 3405, 3406, 3407 and 3408 of 34/F, Tower A, Reith International Building, Xinxiu Road, Luohu District, Shenzhen, Guangdong Province, PRC (中國廣東省深圳市羅湖區新秀路新秀村瑞思大廈3401, 3402, 3403, 3405, 3406, 3407及3408室) which was used by the Group as its office premise in Shenzhen, the PRC for a term of the period from 22 November 2016 to 31 July 2019. The maximum amount of annual rental payable by CGS Shenzhen to Luk Fook Shenzhen under the tenancy agreement shall be no more than RMB1,860,000, RMB3,000,000, RMB3,240,000 and RMB280,000 (equivalent to approximately HK$2,120,000, HK$3,420,000, HK$3,694,000 and HK$319,000) for each of the four years ending 30 June 2017, 2018, 2019 and 2020, respectively. During the year ended 30 June 2019, the rental charged by Luk Fook Shenzhen to CGS Shenzhen pursuant to the tenancy agreement was approximately RMB1,253,000 (equivalent to approximately HK$1,445, 000). CGS Shenzhen signed termination letter with Luk Fook Shenzhen to early terminate the tenancy agreement on 7 November 2018. As Luk Fook Shenzhen is wholly owned by Luk Fook Holdings, Luk Fook Shenzhen is a connected person of the Company at the subsidiary level and the tenancy agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 22 November 2016.

On 19 November 2018, CGS Shenzhen (as tenant) entered into tenancy agreements with each of重慶市光生成貿易有限公司 ("Chongqing QSC"),重慶市福邀貿易有限公司("Chongqing Fu Yao") and重慶市聿宿貿易有限公司"(Chongqing Yu Xiu") (as landlord) for the rental of the premises located at IBC, Buxin Street 3008, Louhu District, Shenzhen which was used by the Group as its office premises in Shenzhen, the PRC for a term of the period from 1 November 2018 to 31 October 2021. The maximum amount of annual rental payable by CGS Shenzhen to Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu under the tenancy agreements shall be no more than RMB5,000,000 (HK$5,764,000) for each of the three years ending 30 June 2019, 2020 and 2021. During the year ended 30 June 2019, the rental charged by Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu to CGS Zhenzhen pursuant to the tenancy agreements was approximately RMB324,000, RMB1,035,000 and RMB1,022,000 (equivalent to approximately HK$374,000, HK$1,193,000 and HK$1,178, 000). As Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu are wholly owned by Luk Fook Holdings, Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu are the connected persons of the Company at the subsidiary level and the tenancy agreements constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 19 November 2018.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Group in the ordinary course of its business, on normal commercial terms and in accordance with the terms of agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS

On 2 January 2019,金至尊實業發展(深圳)有限公司("3D-GOLD Enterprises"), a non-wholly owned subsidiary of the Company entered into the agreement with六福珠寶(廣州)有限公司) ("Luk Fook Guangzhou") pursuant to which 3D-GOLD Enterprises agreed to sell and Luk Fook Guangzhou agreed to purchase 39,876.30 grams of Pt99.95 platinum. The consideration was RMB7,491,000 (equivalent to approximately HK$8,550,000) which was determined with reference to the first ask price of Pt99.95 platinum quoted on the Shanghai Gold Exchange as at the date of the agreement less RMB1. CGS is a subsidiary of the Company and is owned as to 50% by each of the Company and Luk Fook, and 3D-GOLD Enterprises is a wholly-owned subsidiary of CGS. As Luk Fook and Luk Fook Guangzhou are wholly owned by Luk Fook Holdings, Luk Fook and Luk Fook Guangzhou are connected persons of the Company at the subsidiary level. Accordingly, the transactions contemplated under the agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 2 January 2019.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year set out in note 36 to the consolidated financial statements include transactions that constitute connected transactions and continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

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

Pursuant to the Company's bye-laws and subject to the applicable laws, every Director and other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may incur or sustain in or about the execution of duties of his/her office or otherwise in relation thereto provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such person. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is on the basis of their merit, qualifications and competence.

The emoluments of the Directors are reviewed and determined by the Remuneration Committee, having regard to the Company's operating results, individual performance and prevailing market conditions.

The Company has adopted a share option scheme for the purpose of providing incentive to eligible persons for their contribution or potential contribution to the Group. Details of the scheme are set out in note 31 to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may distribute by way of (i) cash or (ii) shares as may be determined by the board of directors of the Company from time to time.

The profit distribution policy of the Company is: (a) Profit distribution policy of the Company shall achieve continuity, stability and sustainability; (b) The Company targets a payout ratio with balance on distribution of profits and profits retained for business operation and future development; (c) Profit distribution of the Company shall take into account: (i) the earnings per share of the Company; (ii) the reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Company in their long-term development; (iii) the financial conditions and business plan of the Company; (iv) the market sentiment and circumstances.

PRE EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2019.

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$1,240,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, 39% of the total purchases were gold purchased from Shanghai Gold Exchange and the five largest suppliers of the Group accounted for 70% of the Group's purchases.

Aggregate sales attributable to the Group's five largest customers were less than 12% of the total turnover.

At no time during the Year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

EXPOSURE TO BORROWERS AND OTHER SPECIFIC CIRCUMSTANCES THAT REQUIRE DISCLOSURE

Details of which are set out in note 29 to the consolidated financial statements.

AUDITORS

The consolidated financial statements for the year ended 30 June 2019 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire as auditor of the Company upon expiration of its term of office at the forthcoming annual general meeting of the Company.

On behalf of the Board

Mr. Li Ning
Chairman

Hong Kong, 11 March 2020

Deloitte. 德勤

TO THE SHAREHOLDERS OF
HONG KONG RESOURCES HOLDINGS COMPANY LIMITED
香港資源控股有限公司
(incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Hong Kong Resources Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 149, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As disclosed in notes 21 and 15 to the consolidated financial statements, the Group has recognised impairment losses on the loan receivables amounting HK$74,400,000 and the relevant interest receivables amounting HK$11,558,000 for the year ended 30 June 2019. Such loans were advanced by a wholly-owned subsidiary of the Company which is principally engaged in money lending business.

Management was unable to provide satisfactory explanation about the business rationale and commercial substance of the loan transactions. We were also not able to obtain all the necessary corroborative evidence from certain borrowers to substantiate the nature and authenticity of these transactions and the related outstanding balances, and to assess their recoverability. In addition, the findings from the Forensic Investigation as described in note 21 to the consolidated financial statements indicated ineffective internal control mechanism for those loan transactions.

Because of the above limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to the business rationale and commercial substance, legitimacy, occurrence, accuracy, completeness and presentation of the loan transactions and the appropriateness of the impairment losses recognised for the year ended 30 June 2019; and whether these loan transactions are properly disclosed as related party transactions.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgement associated with the determination of allowance for inventories. As disclosed in note 20 to the consolidated financial statements, the carrying amount of inventories is HK$857,389,000 as at 30 June 2019. In estimating the amount of allowance for inventories, management reviews the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of allowance for inventories. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration.	Our procedures in relation to the valuation of inventories included: • Understanding management's process of how to determine the allowance for inventories; • Evaluating the reasonableness of the net realisable value of inventories, with reference to the condition of the inventories, historical and current sales information, and aging of inventories; • Checking the historical and current sales information and aging of inventories, on a sample basis, to source documents; • Evaluating the competence, capabilities and objectivity of the independent external valuer and obtaining an understanding of their scope of work; and • Evaluating the reasonableness of the valuation process carried out by the independent external valuer on selected jewellery items and traced the carrying amounts of selected jewellery items to the jewellery appraisal report to test these were recorded at lower of cost and net realisable value.
Valuation of the trademarks "3D-Gold"	
We identified the valuation of the trademarks "3D-Gold" as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgment associated in determining the impairment loss on the trademarks "3D-Gold". As disclosed in note 16 to the consolidated financial statements, the carrying amount of the trademarks "3D-Gold" is HK$168,066,000 as at 30 June 2019. In estimating whether there was any impairment of the trademarks "3D-Gold", management estimates the future cash flows expected to arise from the trademarks "3D-Gold"and a suitable discount rate in order to calculate the recoverable amount. The recoverable amount is determined based on a value in use calculation as detailed in the note 5 to the consolidated financial statements in relation to the impairment assessment of the trademarks "3D-Gold".	Our procedures in relation to the valuation of the trademarks "3D-Gold" included: • Understanding the Group's impairment assessment process in respect of the trademarks "3D-Gold"; • Evaluating the appropriateness of the valuation model adopted and the reasonableness of key assumptions used in the valuation with reference to the economic outlook, the Group's past sales experience, market data and our industry knowledge; • Evaluating the historical accuracy of financial budgets prepared by the management by comparing the historical financial budgets with the actual performance; • Evaluating the sufficiency of the disclosure of impairment assessment by management in the consolidated financial statements; and • Involving our internal valuation experts to review and assess whether the valuation model used by the management was appropriate and whether the key assumptions used in the valuation model were reasonable.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the 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 the independent auditor's report is Sze On Tat.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue			
Goods and services		**1,447,912**	1,459,272
Interest		**13,041**	194
Total revenue	6(a)	**1,460,953**	1,459,466
Cost of sales		**(1,054,507)**	(1,048,012)
Gross profit		**406,446**	411,454
Other income	7	**8,881**	6,016
Selling expenses		**(359,077)**	(326,665)
General and administrative expenses		**(93,563)**	(98,134)
Other gains and losses		**(11,392)**	19,706
Change in fair value of derivatives embedded in convertible bonds	23(b)	**385**	3,914
Equity-settled share-based payments		**–**	(8,949)
Impairment loss on available-for-sale investments recognised	18(a) & (b)	**–**	(6,040)
Impairment loss on property, plant and equipment recognised		**(3,782)**	–
Impairment losses on loan receivables and relevant interest receivables recognised under expected credit loss model	15 & 21	**(85,958)**	–
Impairment loss on trade receivables recognised under expected credit loss model		**(4,690)**	–
Finance costs	8	**(79,341)**	(51,174)
Loss before taxation	9	**(222,091)**	(49,872)
Taxation	11	**(8,788)**	(18,404)
Loss for the year		**(230,879)**	(68,276)
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**(3,935)**	8,237
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		**(3,876)**	–
		(7,811)	8,237
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(15,122)**	6,750
Fair value loss on available-for-sale investment		**–**	(3,420)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment		**–**	3,420
		(15,122)	6,750
Other comprehensive (expense) income for the year		**(22,933)**	14,987
Total comprehensive expense for the year		**(253,812)**	(53,289)
Loss for the year attributable to:			
Owners of the Company		**(181,414)**	(59,654)
Non-controlling interests		**(49,465)**	(8,622)
		(230,879)	(68,276)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(196,060)**	(47,654)
Non-controlling interests		**(57,752)**	(5,635)
		(253,812)	(53,289)
Loss per ordinary share	13		
Basic and diluted		**(HK$0.171)**	(HK$0.066)

Consolidated Statement of Financial Position

As at 30 June 2019

	NOTES	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment	14	**51,806**	52,922
Deposits paid	15	**8,375**	10,306
Intangible assets	16	**169,144**	169,144
Interest in a joint venture	17	**–**	–
Equity instruments at FVTOCI	18	**3,584**	–
Available-for-sale investments	18	**–**	15,118
Deferred tax assets	19	**11,857**	17,112
		244,766	264,602
Current Assets			
Inventories	20	**857,389**	979,354
Right to returned goods asset		**2,950**	–
Trade and other receivables and deposits paid	15	**166,643**	213,712
Loan receivables	21	**–**	14,000
Tax receivable		**2,590**	1,739
Pledged bank deposits	24	**941,388**	742,299
Bank balances and cash	24	**132,755**	56,988
		2,103,715	2,008,092
Current Liabilities			
Trade and bills payables, other payables, accruals and deposits received	25	**218,065**	333,097
Bank and other borrowings	29	**1,891,892**	1,480,000
Contract liabilities	26	**23,249**	–
Refund liabilities	27	**4,782**	–
Amount due to a joint venture	22	**–**	11
Loans from a non-controlling shareholder of a subsidiary	28	**57,080**	43,190
Convertible bonds	23(a)	**–**	49,753
Derivative financial instruments	23(b)	**–**	385
Tax liabilities		**544**	4,103
		2,195,612	1,910,539
Net Current (Liabilities) Assets		**(91,897)**	97,553
Total Assets less Current Liabilities		**152,869**	362,155

Consolidated Statement of Financial Position

As at 30 June 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Non-current Liabilities			
Other payables	25	–	3,593
Bank and other borrowings	29	**20,000**	20,000
Loans from a non-controlling shareholder of a subsidiary	28	**100,000**	100,000
Deferred tax liabilities	19	**42,016**	42,016
		162,016	165,609
NET (LIABILITIES) ASSETS		**(9,147)**	196,546
CAPITAL AND RESERVES			
Share capital	30	**50,668**	38,224
Reserves		**(56,803)**	101,527
(Deficit) equity attributable to owners of the Company		**(6,135)**	139,751
Non-controlling interests		**(3,012)**	56,795
TOTAL (DEFICIT) EQUITY		**(9,147)**	196,546

The consolidated financial statements on pages 53 to 149 were approved and authorised for issue by the Board of Directors on 11 March 2020 and are signed on its behalf by:

Mr. Li Ning
DIRECTOR

Ms. Dai Wei
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Attributable to owners of the Company												
	Ordinary share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000 (Note (a))	Share option reserve HK$'000	Warrant reserve HK$'000 (Note (b))	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (Note (c))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2017	35,224	717,743	55,327	(256,051)	13,405	21,819	–	5,462	30,334	(468,124)	155,139	62,430	217,569
Loss for the year	–	–	–	–	–	–	–	–	–	(59,654)	(59,654)	(8,622)	(68,276)
Exchange difference arising on translation	–	–	–	–	–	–	–	12,000	–	–	12,000	2,987	14,987
Fair value loss on available-for-sale investment	–	–	–	–	–	–	(3,420)	–	–	–	(3,420)	–	(3,420)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investment	–	–	–	–	–	–	3,420	–	–	–	3,420	–	3,420
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	12,000	–	(59,654)	(47,654)	(5,635)	(53,289)
Transfer between reserves	–	–	–	–	–	–	–	–	3,203	(3,203)	–	–	–
Issue of shares by way of a placing, net of transaction costs	3,000	20,310	–	–	–	–	–	–	–	–	23,310	–	23,310
Exercise of warrants	–	10	–	–	–	(3)	–	–	–	–	7	–	7
Recognition of equity-settled share-based payments	–	–	–	–	8,949	–	–	–	–	–	8,949	–	8,949
Lapse of warrants	–	–	–	–	–	(21,816)	–	–	–	21,816	–	–	–
Lapse of share options	–	–	–	–	(1,227)	–	–	–	–	1,227	–	–	–
At 30 June 2018	38,224	738,063	55,327	(256,051)	21,127	–	–	17,462	33,537	(507,938)	139,751	56,795	196,546
Adjustment (note 3)	–	–	–	–	–	–	(16,493)	–	–	14,438	(2,055)	(2,055)	(4,110)
At 1 July 2018 (as adjusted)	38,224	738,063	55,327	(256,051)	21,127	–	(16,493)	17,462	33,537	(493,500)	137,696	54,740	192,436
Loss for the year	–	–	–	–	–	–	–	–	–	(181,414)	(181,414)	(49,465)	(230,879)
Exchange difference arising on translation	–	–	–	–	–	–	–	(10,770)	–	–	(10,770)	(8,287)	(19,057)
Fair value loss on equity instruments at FVTOCI	–	–	–	–	–	–	(3,876)	–	–	–	(3,876)	–	(3,876)
Total comprehensive expense for the year	–	–	–	–	–	–	(3,876)	(10,770)	–	(181,414)	(196,060)	(57,752)	(253,812)
Transfer between reserves	–	–	–	–	–	–	–	–	1,196	(1,196)	–	–	–
Issue of shares, net of transaction costs	12,444	39,785	–	–	–	–	–	–	–	–	52,229	–	52,229
Investment revaluation reserve reclassified to accumulated losses upon disposal of equity instruments at FVTOCI	–	–	–	–	–	–	8,477	–	–	(8,477)	–	–	–
Lapse of share options	–	–	–	–	(6,079)	–	–	–	–	6,079	–	–	–
At 30 June 2019	50,668	777,848	55,327	(256,051)	15,048	–	(11,892)	6,692	34,733	(678,508)	(6,135)	(3,012)	(9,147)

Notes:

(a) Other reserve comprises:

(i) a debit amount of HK$213,605,000 represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in China Gold Silver Group Company Limited ("CGS"), a subsidiary of the Company, being acquired from the non-controlling shareholders on 14 May 2010;

(ii) a debit amount of HK$3,643,000 represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Rise Rich International Limited, a subsidiary of the Company, being acquired from the non-controlling shareholders on 31 December 2013; and

(iii) a debit amount of HK$38,803,000 represents the difference between (i) the aggregate of the fair value of the consideration (net of transaction cost) received for disposal of partial interest in CGS on 6 June 2014 and proceeds received from issuance of CB 2019 (as defined in note 23(a)), and (ii) the aggregate amount of the carrying amount of the net assets attributable to the disposed interest in CGS to the purchaser, the fair value of the share option of CGS issued and the fair values of the liability component and the embedded derivatives of CB 2019 issued to the purchaser, on 6 June 2014.

(b) Warrant reserve arises from the issue of warrants less the expenses incurred on warrants issue. On 31 January 2013, the Company executed an warrant instrument relating to the issue of warrants conferring rights to subscribe up to 196,908,602 new ordinary shares of the Company at the subscription price of HK$0.245 per share, which are exercisable during the 5 years period from 31 January 2013 to 30 January 2018, both days inclusive. As at 30 June 2019 and 30 June 2018, the Company had no outstanding units of warrants.

(c) People's Republic of China (the "PRC") statutory reserve of the Group represents general and development fund reserve applicable to the PRC subsidiaries which were established in accordance with the relevant regulations.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Loss before taxation	**(222,091)**	(49,872)
Adjustments for:		
Allowance (reversal of allowance) of inventories	**286**	(1,655)
Bank interest income	**(4,954)**	(3,922)
Change in fair value of derivatives embedded in convertible bonds	**(385)**	(3,914)
Change in fair value of gold loans	**–**	(539)
Depreciation of property, plant and equipment	**24,063**	20,222
Equity-settled share-based payments	**–**	8,949
Finance costs	**79,341**	51,174
Impairment loss on property, plant and equipment recognised	**3,782**	–
Impairment loss on available-for-sale investments recognised	**–**	6,040
Impairment losses on loan receivables and relevant interest receivables recognised under expected credit loss model	**85,958**	–
Impairment loss on trade receivables recognised under expected credit loss model	**4,690**	–
Loss on disposal of property, plant and equipment	**845**	1,218
Write-back of amount due to a joint venture	**(11)**	–
Unrealised exchange loss (gain)	**10,550**	(20,855)
Operating cash flows before movements in working capital	**(17,926)**	6,846
Decrease (increase) in inventories	**95,972**	(152,618)
Decrease (increase) in trade and other receivables and deposits paid	**23,174**	(89,270)
Increase in loan receivables	**(60,400)**	(14,000)
Decrease in right to returned goods asset	**860**	–
Decrease in refund liabilities	**(1,575)**	–
Decrease in contract liabilities	**(3,793)**	–
(Decrease) increase in trade and bills payables, other payables, accruals and deposits received	**(77,650)**	93,726
Increase in amount due to a joint venture	**–**	11
Cash used in operations	**(41,338)**	(155,305)
Income taxes paid	**(7,307)**	(16,987)
Net cash used in operating activities	**(48,645)**	(172,292)

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	2019 HK$'000	2018 HK$'000
Investing activities		
Interest received	**5,037**	4,264
Proceeds from disposal of equity instruments at FVTOCI	**7,658**	–
Purchase of property, plant and equipment	**(32,789)**	(26,928)
Proceeds from disposal of property, plant and equipment	**353**	19
Proceeds from disposal of available-for-sale investments	**–**	5,822
Repayment from a joint venture	**–**	8
Placement of pledged bank deposits	**(552,558)**	(415,364)
Withdrawal of pledged bank deposits	**350,000**	262,063
Net cash used in investing activities	**(222,299)**	(170,116)
Financing activities		
Interest paid	**(72,458)**	(44,484)
Proceeds from issue of shares, net of transaction costs	**52,229**	23,310
Proceeds from exercise of warrants	**–**	7
New bank and other borrowings raised	**1,121,892**	770,000
Repayments of bank and other borrowings	**(710,000)**	(379,505)
Repayment of loan from a non-controlling interest of a subsidiary	**(43,190)**	–
Repayments of gold loans	**–**	(86,505)
Repayment of loan from a shareholder	**–**	(2,000)
Net cash from financing activities	**348,473**	280,823
Net increase (decrease) in cash and cash equivalents	**77,529**	(61,585)
Cash and cash equivalents at beginning of the year	**56,988**	114,953
Effect of foreign exchange rate changes	**(1,762)**	3,620
Cash and cash equivalents at end of the year, represented by bank balances and cash	**132,755**	56,988

1. GENERAL

Hong Kong Resources Holdings Company Limited (the "Company") is an exempted company with limited liability incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Room 905, 9th Floor, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 41.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), that is different from the functional currency of the Company which is Renminbi ("RMB"). The directors of the Company consider that Hong Kong dollars is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

The Company together with its subsidiaries are collectively referred to as the "Group".

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group incurred a net loss of HK$230,879,000 for the year ended 30 June 2019 and as of that date, the Group's current liabilities exceeded its current assets by HK$91,897,000 and its total liabilities exceeded its total assets by HK$9,147,000.

Subsequent to the end of the reporting period, the Group issued convertible bonds with a principal amount of HK$121,950,000 to an independent third party, which will be due in year of 2022 and at an interest rate of 4% per annum, to improve the Group's financial position and alleviate its liquidity pressure

After taking into account the financial resources of the Group, including the available loan facilities and the convertible bonds, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18, HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Retail sales;
- Wholesales;
- Franchising and licensing operations; and
- Sub-contracting operations.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 4, respectively.

Summary of effects arising from initial application of HKFRS 15

The following table summarised the impact of transition to HKFRS 15 on accumulated losses at 1 July 2018:

	HK$'000
Accumulated losses	
Products with a right to return	(1,161)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 30 June 2018 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1 July 2018* HK$'000
Non-current Asset					
Deferred tax assets	(a)	17,112	–	300	17,412
Current Asset					
Right to returned goods asset	(a)	–	–	3,914	3,914
Current Liabilities					
Trade and bills payables, other payables, accruals and deposits received					
– Receipts in advance from customers	(b)	25,783	(25,783)	–	–
– Deferred revenue	(c)	2,266	(2,266)	–	–
Contract liabilities	(b), (c)	–	28,049	–	28,049
Refund liabilities	(a)	–	–	6,536	6,536
Capital and Reserves					
Accumulated losses	(a)	(507,938)	–	(1,161)	(509,099)
Non-controlling interests	(a)	56,795	–	(1,161)	55,634

* The amounts in this column are before adjustments from the application of HKFRS 9.

Notes:

(a) At the date of initial application, the rights of returns and credit refunds of franchising and licensing income are considered as variable consideration. The Group uses expected value method to estimate the return that best predicts the amount of variable consideration on the revenue streams from retail operations for selling gold and jewellery products in Hong Kong, Macau and Mainland China, and franchising and licensing operations in Mainland China. As such, the Group presents refund liabilities and right to returned goods asset separately in the consolidated statement of financial position. An opening adjustment of HK$1,161,000 (net of deferred tax) was recognised in the accumulated losses with corresponding adjustment to non-controlling interests of HK$1,161,000.

(b) At the date of initial application, receipts in advance from franchisees of HK$25,783,000 previously included in trade and bills payables, other payables, accruals and deposits received were reclassified to contract liabilities.

(c) At the date of initial application, deferred revenue in relation to customer loyalty programmes of HK$2,266,000 previously included in trade and bills payables, other payables, accruals and deposits received were reclassified to contract liabilities.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 30 June 2019, its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position as at 30 June 2019

	As reported HK$'000	**Adjustments** HK$'000	**Amounts without application of HKFRS 15*** HK$'000
Non-current Asset			
Deferred tax assets	11,857	(168)	11,689
Current Asset			
Right to returned goods asset	2,950	(2,950)	–
Current Liabilities			
Trade and bills payables, other payables, accruals and deposits received			
– Receipts in advance from customers	–	20,383	20,383
– Deferred revenue	–	2,866	2,866
Contract liabilities	23,249	(23,249)	–
Refund liabilities	4,782	(4,782)	–
Capital and Reserves			
Exchange reserve	6,692	(33)	6,659
Accumulated losses	(678,508)	865	(677,643)
Non-controlling interests	(3,012)	832	(2,180)

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.1 HKFRS 15 ***Revenue from Contracts with Customers*** *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15* HK$'000
Revenue			
Goods and services	1,447,912	(1,574)	1,446,338
Cost of sales	(1,054,507)	860	(1,053,647)
Loss before taxation	(222,091)	(714)	(222,805)
Taxation	(8,788)	122	(8,666)
Loss for the year	(230,879)	(592)	(231,471)
Item that may be reclassified subsequent to profit or loss:			
Exchange difference arising on translation of foreign operations	(15,122)	(66)	(15,188)
Other comprehensive expense for the year	(22,933)	(66)	(22,999)
Total comprehensive expense for the year	(253,812)	(658)	(254,470)

Impact on the consolidated statement of cash flows for the year ended 30 June 2019

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating activities			
Loss before taxation	(222,091)	(714)	(222,805)
Decrease in right to returned goods asset	860	(860)	–
Decrease in trade and bills payables, other payables, accruals and deposits received	(77,650)	(3,793)	(81,443)
Decrease in contract liabilities	(3,793)	3,793	–
Decrease in refund liabilities	(1,575)	1,575	–

* The amounts in this column are before adjustments from the application of HKFRS 9.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.2 HKFRS 9 *Financial Instruments* and the related amendments

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to financial instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to financial 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 losses and other components of equity, without restating comparative information.

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

Summary of effects arising from initial application of HKFRS 9

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

	Notes	Equity instruments at FVTOCI HK$'000	Available-for-sale investments HK$'000	Deferred tax assets HK$'000	Trade receivables HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Non-controlling interests HK$'000
Closing balance at 30 June 2018								
– HKAS 39		–	15,118	17,112	106,705	–	(507,938)	56,795
Effect arising from initial application of HKFRS 9:								
– Reclassification								
From available-for-sale investments	(a)	15,118	(15,118)	–	–	(16,493)	16,493	–
– Remeasurement								
Impairment under ECL model	(b)	–	–	247	(2,035)	–	(894)	(894)
Opening balance at 1 July 2018		15,118	–	17,359	104,670	(16,493)	(492,339)	55,901

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.2 HKFRS 9 ***Financial Instruments*** and the related amendments *(Continued)*

Notes:

(a) Available-for-sale investments

From available-for-sale investments to equity instruments at FVTOCI

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading. At the date of initial application of HKFRS 9, HK$15,118,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. Impairment losses previously recognised of HK$16,493,000 of which HK$6,008,000 related to unquoted equity instruments previously measured at cost less impairment under HKAS 39, were transferred from accumulated losses to investment revaluation reserve as at 1 July 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually with credit-impaired, the remaining balances are grouped based on internal credit rating. Assessment of loss allowances for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits and bank balances are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 July 2018, the additional impairment loss (net of deferred tax) of HK$894,000 has been recognised against accumulated losses, with corresponding adjustment of HK$894,000 to non-controlling interests. The additional impairment loss of HK$2,035,000 is charged to the allowance for credit loss, with the deferred tax effect of HK$247,000 debited to the deferred tax assets.

The allowance for credit loss as at 30 June 2018 reconciled to the opening allowance for credit loss as at 1 July 2018 is as follows:

	Trade receivables – allowance for credit loss HK$'000
As at 30 June 2018 – HKAS 39	–
Amounts remeasured through opening accumulated losses	(2,035)
As at 1 July 2018 – HKFRS 9	(2,035)

The directors of the Company have reviewed and assessed the Group's other financial assets. No material impairment was noted at the date of initial application, 1 July 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. Line items that were not affected by the changes have not been included.

	30 June 2018 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 July 2018 HK$'000 (Restated)
Non-current Assets				
Available-for-sale investments	15,118	–	(15,118)	–
Equity instruments at FVTOCI	–	–	15,118	15,118
Deferred tax assets	17,112	300	247	17,659
Current Assets				
Trade and other receivables and deposit paid	213,712	–	(2,035)	211,677
Right to returned goods asset	–	3,914	–	3,914
Current Liabilities				
Trade and bills payables, other payables, accruals and deposit received	333,097	(28,049)	–	305,048
Contract liabilities	–	28,049	–	28,049
Refund liabilities	–	6,536	–	6,536
Capital and Reserves				
Investment revaluation reserve	–	–	(16,493)	(16,493)
Accumulated losses	(507,938)	(1,161)	15,599	(493,500)
Non-controlling interests	56,795	(1,161)	(894)	54,740

For the purposes of reporting cash flows from operating activities for the year ended 30 June 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 July 2018 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of HK$72,240,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$16,311,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

The significant accounting policies are set out below.

Basis of consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (i.e. customer loyalty programme), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration including the customers' right to return goods, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) *(Continued)*

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue recognition (prior to 1 July 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Sales of goods that result in award credits for customers are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction-but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Franchising and licensing income in respect of the use of the trademark "3D-GOLD" are recognised on an accrual basis in accordance with the relevant agreements.

Service income is recognised when services are provided.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets-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 *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in a joint venture

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

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture equals or exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with a joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in a joint venture that are not related to the Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the first-in, first-out method or specific identification basis depending on the nature of the inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Leasing

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

The Group as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

Retirement benefit costs

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

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

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

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.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3)

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

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with credit-impaired and/or collectively using a provision matrix with appropriate groupings.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3) (Continued)

The ECL on loan receivables and all other instruments are assessed individually. Loan receivables and all other instruments that are considered, with reference to internal credit rating, as low risk are assessed under 12-month ECL. Loan receivables and all other instruments that are considered as doubtful or loss are assessed under lifetime ECL.

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, i.e. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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; or
- 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 has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3) (Continued)

(v) Measurement and recognition of ECL (Continued)

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

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

- Nature of financial instruments (i.e. the Group's trade receivables are each assessed as a separate group. Loan receivables are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

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

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

(i) AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated as AFS or are not classified as financial assets at FVTPL, held-to-maturity investments, or loans and receivables.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(i) AFS financial assets (Continued)

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

(ii) Loans and receivables

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

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

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

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest and principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the receivables past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables, bank and other borrowings, amount due to a joint venture and loans from a non-controlling shareholder of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds contain liability component and conversion option derivative

Convertible bonds issued by the Group that contain both liability and conversion option derivative components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and conversion option derivative components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Embedded derivatives (under HKFRS 9 since 1 July 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Embedded derivatives (before application of HKFRS 9 on 1 July 2018)

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition of financial liabilities

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 is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over CGS

On 6 June 2014, the Company disposed of its 50% equity interest in CGS to an independent third party (the "Purchaser"). Upon completion of the disposal, the Company holds a 50% equity interest in CGS, and CGS is continued to be accounted for as a subsidiary of the Company.

In assessing whether the Group has control over CGS, the directors of the Company consider whether the Group has the practical ability to direct the relevant activities of CGS and its subsidiaries unilaterally. In making their judgment, the directors take into account the facts that (i) the power of the board of directors of CGS and its subsidiaries including but not limited to the approval of annual budget, business plan, capital expenditure and appointment of the chief financial officer and (ii) the Company has the right to nominate the chairman of the board of directors of CGS and its subsidiaries and the chairman is entitled to a second or casting vote in case of an equality of votes at board meetings. The directors concluded that casting vote of the chairman is substantive, which provides the Company the power over the relevant activities which are directed by voting rights of the board of directors of CGS and its subsidiaries. As such, the Company has sufficient dominant voting interest to direct the relevant activities of CGS and its subsidiaries and therefore directors of the Company are of the view that the Group has control over CGS and its subsidiaries.

Key sources of estimation uncertainty

Valuation of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In estimating the amount of allowance of inventories, it is the Group's policy to review the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of inventory allowance. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration. The Group carries out an inventory review at the end of the reporting period and makes allowance when the subsequent estimated net realisable value of inventories is less than the original estimate. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to adverse economic conditions. As at 30 June 2019, the carrying amount of the Group's inventories is HK$857,389,000 (2018: HK$979,354,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment assessment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of these intangible assets. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period, in which the key assumptions include the discount rate, short-term and long-term growth rate, taking into account the economic outlook, the Group's past sales experience and industry growth forecasts to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2019, the carrying amount of the Group's intangible assets is HK$169,144,000 (2018: HK$169,144,000).

Provision of ECL for trade receivables (upon application of HKFRS 9 in accordance with transitions in note 3)

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 38 and 15, respectively.

Recoverability of trade receivables (before application of HKFRS 9 on 1 July 2018)

In estimating the allowance for doubtful debts, it is the Group's policy to takes into consideration the aging analysis, subsequent settlements of the receivables, repayment history and credit worthiness of debtors. If the financial conditions of the debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 30 June 2018, the carrying amount of the Group's trade receivables is HK$106,705,000.

Provision of ECL for loan receivables (upon HKFRS 9 adoption)

Loan receivables are assessed for ECL individually. Loan receivables that are considered, with reference to internal credit rating, as low risk are assessed under 12-month ECL. Loan receivables that are considered as doubtful or loss are assessed under lifetime ECL. The management of Group estimates the amount of ECL based on the Group's historical default rates on these loan receivables by taking into consideration the Group's internal credit ratings of loan receivables, aging, repayment history and/or past due status of respective loan receivables. Estimated loss rates are based on historical observed default rates over the expected life of the loan receivables and are adjusted by forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan receivables are disclosed in notes 38 and 21, respectively.

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

An analysis of the Group's revenue for the year is as follows:

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China		Retail sales operations for selling gold and jewellery products in Hong Kong and Macau		Wholesales and sub-contracting operations for gold and jewellery products in Mainland China		Others		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
Retail sales of goods	**784,454**	812,604	**450,364**	451,645	**–**	–	**–**	–	**1,234,818**	1,264,249
Wholesales of goods	**–**	–	**–**	–	**138,163**	116,822	**–**	–	**138,163**	116,822
Franchising and licensing income	**71,477**	77,420	**–**	–	**–**	–	**–**	–	**71,477**	77,420
Sub-contracting service fee income	**–**	–	**–**	–	**3,454**	781	**–**	–	**3,454**	781
Goods and services	**855,931**	890,024	**450,364**	451,645	**141,617**	117,603	**–**	–	**1,447,912**	1,459,272
Interest (Note)	**–**	–	**–**	–	**–**	–	**13,041**	194	**13,041**	194
	855,931	890,024	**450,364**	451,645	**141,617**	117,603	**13,041**	194	**1,460,953**	1,459,466

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Revenue *(Continued)*

(i) Disaggregation of revenue for the year ended 30 June 2019

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail sales operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Total HK$'000
Geographical markets					
– Mainland China	855,931	–	141,617	–	997,548
– Hong Kong and Macau	–	450,364	–	13,041	463,405
	855,931	450,364	141,617	13,041	1,460,953
Timing of revenue recognition					
– A point in time	784,454	450,364	141,617	–	1,376,435
– Over time	71,477	–	–	–	71,477
	855,931	450,364	141,617	–	1,447,912
Interest (Note)	–	–	–	13,041	13,041
	855,931	450,364	141,617	13,041	1,460,953

Note: Interest represented the interest income from money lending business, which is accounted for under HKFRS 9.

(ii) Performance obligations for contracts with customers

Retail sales

The Group operates a chain of retail shops selling a variety of gold and jewellery products in Hong Kong, Macau and Mainland China. Revenue from the sale of goods is recognised when control of the goods has transferred, being at the point the customer purchases the goods at retail stores. Payment of the transaction price is due immediately at the point the customer purchases the goods. Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period of 30 to 90 days to those credit card associations and department stores.

Wholesales

The Group wholesales a range of gold and jewellery products to customers in Mainland China. revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 days upon delivery.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Revenue *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

Franchising and licensing operations

The Group has granted the franchise to franchisees in Mainland China to use the Group's trademark and provided various license support services to those franchisees in accordance with the substance of relevant agreements. Revenue is recognised over time using output method when the services are provided, because the franchisee simultaneously receives and consumes the benefits of the Group's performance as it occurs.

(b) Segment information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and geographical location. This is the basis upon which the Group is organised.

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

a. Retail sales and franchising operations for gold and jewellery products in Mainland China;

b. Retail sales operations for gold and jewellery products in Hong Kong and Macau; and

c. Wholesales and sub-contracting operations for gold and jewellery products in Mainland China.

Major products of the Group include gold products and jewellery products.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

The following is an analysis of the Group's revenue and results by operating segments for the period under review.

Segment revenues and results

For the year ended 30 June 2019

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
REVENUE						
External sales	855,931	450,364	141,617	1,447,912	13,041	1,460,953
RESULT						
Segment results	40,052	(3,158)	(17,881)	19,013	(74,464)	(55,451)
Other income						8,881
Unallocated corporate staff and directors' salaries						(32,915)
Other unallocated corporate expenses						(14,500)
Advertising, promotion and business development expenses						(38,611)
Change in fair value of derivatives embedded in convertible bonds						385
Exchange loss, net						(10,550)
Write-back of amount due to a joint venture						11
Finance costs						(79,341)
Loss before taxation						(222,091)
Taxation						(8,788)
Loss for the year						(230,879)

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 30 June 2018

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
REVENUE						
External sales	890,024	451,645	117,603	1,459,272	194	1,459,466
RESULT						
Segment results	45,181	15,168	(2,117)	58,232	(415)	57,817
Other income						6,016
Unallocated corporate staff and directors' salaries						(32,013)
Other unallocated corporate expenses						(16,310)
Advertising, promotion and business development expenses						(24,057)
Change in fair value of derivatives embedded in convertible bonds						3,914
Exchange gain, net						20,924
Equity-settled share-based payments						(8,949)
Impairment loss on available-for-sale investments recognised						(6,040)
Finance costs						(51,174)
Loss before taxation						(49,872)
Taxation						(18,404)
Loss for the year						(68,276)

Segment profit (loss) represents the profit (loss) of each segment without allocation of other income, advertising, promotion and business development expenses, corporate staff and directors' salaries, change in fair value of derivatives embedded in convertible bonds, exchange (loss) gain, equity-settled share-based payments, impairment loss on available-for-sale investments recognised, write-back of amount due to a joint venture, finance costs and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities

As at 30 June 2019

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	742,927	318,532	12,059	1,073,518	603	1,074,121
Intangible assets						169,144
Equity instruments at FVTOCI						3,584
Deferred tax assets						11,857
Pledged bank deposits						941,388
Bank balances and cash						132,755
Other corporate assets						15,632
Consolidated assets						2,348,481
LIABILITIES						
Segment liabilities	185,576	27,866	2,220	215,662	–	215,662
Bank and other borrowings						1,911,892
Loans from a non-controlling shareholder of a subsidiary						157,080
Tax liabilities						544
Deferred tax liabilities						42,016
Other corporate liabilities						30,434
Consolidated liabilities						2,357,628

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

As at 30 June 2018

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	837,789	319,337	81,134	1,238,260	14,594	1,252,854
Intangible assets						169,144
Available-for-sale investments						15,118
Deferred tax assets						17,112
Pledged bank deposits						742,299
Bank balances and cash						56,988
Other corporate assets						19,179
Consolidated assets						2,272,694
LIABILITIES						
Segment liabilities	212,742	39,370	76,130	328,242	–	328,242
Bank and other borrowings						1,500,000
Loans from a non-controlling shareholder of a subsidiary						143,190
Tax liabilities						4,103
Convertible bonds						49,753
Derivative financial instruments						385
Deferred tax liabilities						42,016
Other corporate liabilities						8,459
Consolidated liabilities						2,076,148

Note: Others represent other operating segments that are not reportable, which include money lending business.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to reportable segments other than intangible assets, equity instruments at FVTOCI (2018: AFS investments), deferred tax assets, pledged bank deposits, bank balances and cash, and other corporate assets; and
- all liabilities are allocated to reportable segments other than bank and other borrowings, loans from a non-controlling shareholder of a subsidiary, tax liabilities, convertible bonds, derivative financial instruments, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 30 June 2019

	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment result or segment assets:						
Additions of property, plant and equipment	20,509	6,790	776	–	1,121	29,196
Depreciation of property, plant and equipment	14,475	6,294	976	–	2,318	24,063
Impairment loss on property, plant and equipment recognised in profit or loss	–	–	3,782	–	–	3,782
Loss on disposal of property, plant and equipment	302	543	–	–	–	845

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Other entity-wide segment information *(Continued)*

For the year ended 30 June 2018

	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment result or segment assets:						
Additions of property, plant and equipment	10,883	6,686	10,895	–	2,057	30,521
Depreciation of property, plant and equipment	12,177	5,602	450	–	1,993	20,222
Loss on disposal of property, plant and equipment	1,203	15	–	–	–	1,218

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the non-current assets of the Group (excluding deposits paid, intangible assets, interest in a joint venture, equity instruments at FVTOCI, available-for-sale investments and deferred tax assets) is presented based on geographical location of the assets.

For the year ended 30 June 2019

	Non-current assets HK$'000	**Revenue from external customers HK$'000**
Mainland China	**34,582**	**997,548**
Hong Kong and Macau	**17,224**	**463,405**
	51,806	**1,460,953**

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

Geographical information *(Continued)*

For the year ended 30 June 2018

	Non-current assets HK$'000	Revenue from external customers HK$'000
Mainland China	33,833	1,007,627
Hong Kong and Macau	19,089	451,839
	52,922	1,459,466

No single customer during both years contributed over 10% of the total revenue of the Group.

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income from bank deposits	**4,954**	3,922
Sundry income	**3,927**	2,094
	8,881	6,016

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interests on:		
Bank and other borrowings	**69,845**	41,030
Gold loans	**–**	879
Loans from a non-controlling shareholder of a subsidiary	**544**	863
Effective interest on convertible bonds (note 23(a))	**8,952**	8,402
	79,341	51,174

9. LOSS BEFORE TAXATION

	2019 HK$'000	2018 HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,743	2,460
Change in fair value of gold loans (included in cost of sales)	–	(539)
Cost of inventories recognised as an expense	1,054,221	1,050,206
Depreciation of property, plant and equipment	24,063	20,222
Exchange loss (gain), net	10,550	(20,924)
Loss on disposal of property, plant and equipment	845	1,218
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	169,922	164,312
– Equity-settled share-based payments	–	8,949
– Retirement benefit costs	18,842	17,598
	188,764	190,859
Allowance (reversal of allowance) of inventories (included in cost of sales)	286	(1,655)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors of the Company were as follows:

		For the year ended 30 June 2019			
Name of director	Notes	Fees HK$'000	Salaries HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors					
Mr. Xu Zhigang	(a)	–	986	18	1,004
Mr. Lam Kwok Hing Wilfred	(b)	–	1,607	18	1,625
Mr. Wu, Xiaolin	(c)	–	230	3	233
Mr. Zhao Jianguo	(b)	–	684	18	702
Ms. Dai Wei		–	600	18	618
Mr. Li Ning	(d)	–	75	–	75
Non-executive director					
Mr. Hu, Hongwei	(e)	186	–	–	186
Independent non-executive directors					
Mr. Fan Anthony Ren Da		360	–	–	360
Dr. Loke, Yu Hoi Lam		300	–	–	300
Mr. Xu Xiaoping		300	–	–	300
		1,146	4,182	75	5,403

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

		For the year ended 30 June 2018				
Name of director	Notes	Fees HK$'000	Salaries HK$'000	Retirement benefit costs HK$'000	Share options HK$'000	Total HK$'000
Executive directors						
Mr. Xu Zhigang	(a)	–	225	8	–	233
Mr. Lam Kwok Hing Wilfred		–	1,441	18	1,152	2,611
Mr. Wu, Xiaolin	(c)	–	1,441	18	1,152	2,611
Mr. Zhao Jianguo		–	720	18	1,152	1,890
Ms. Dai Wei		–	600	18	1,152	1,770
Non-executive director						
Mr. Cheung Pak To, Patrick	(f)	125	–	–	–	125
Independent non-executive directors						
Mr. Fan Anthony Ren Da		360	–	–	115	475
Dr. Loke, Yu Hoi Lam		300	–	–	115	415
Mr. Xu Xiaoping		300	–	–	115	415
		1,085	4,427	80	4,953	10,545

Notes:

(a) Appointed on 14 February 2018, re-designated as non-executive director on 4 October 2019 and resigned on 7 January 2020.

(b) Resigned on 12 June 2019.

(c) Resigned on 28 August 2018.

(d) Appointed on 12 June 2019.

(e) Appointed on 29 March 2019 and re-designated as executive director on 14 July 2019.

(f) Resigned on 27 November 2017.

The executive directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the current year and prior year.

No directors waived any emoluments during the current and prior years.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2018: four) were directors of the Company whose emoluments are included in note 10(a) above.

The emoluments of the remaining three (2018: one) individuals are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries	**6,391**	3,707
Bonuses	**439**	303
Retirement benefit costs	**54**	18
	6,884	4,028

The emoluments of the remaining highest paid employees were within the following bands:

	2019 **Number of employees**	2018 Number of employees
Emolument bands		
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	1
	3	1

11. TAXATION

	2019 HK$'000	2018 HK$'000
Current tax:		
PRC Enterprise Income Tax	**2,986**	11,426
PRC Withholding Tax	–	6,679
	2,986	18,105
Overprovision in prior years:		
Hong Kong Profits Tax	–	(52)
Macau Complementary Tax	–	(421)
	–	(473)
	2,986	17,632
Deferred taxation (note 19)	**5,802**	772
	8,788	18,404

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for taxation in Hong Kong has been made for both years as the Group incurred tax losses in Hong Kong.

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, subsidiaries of the Company established in the PRC are subject to an income tax rate of 25% for both years. Certain subsidiaries established in Chongqing, a municipality in Western China, were engaged in a specific state-encouraged industry as defined under the new "Catalogue of Encouraged Industries in the Western Region" (effective from 1 October 2014) pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) issued in 2011 and were subject to a preferential tax rate of 15% when the annual revenue from the encouraged business exceeded 70% of each subsidiary's total revenue in a fiscal year.

No provision for the Macau Complementary Tax has been made as the Group has no assessable profits in Macau for both years.

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008.

11. TAXATION *(Continued)*

The taxation for the year can be reconciled from the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **HK$'000**	2018 HK$'000
Loss before taxation	**(222,091)**	(49,872)
Tax credit at domestic rates applicable to profits of taxable entities in the respective jurisdictions (Note)	**(39,146)**	(10,868)
Tax effect of income not taxable for tax purpose	**(890)**	(5,669)
Tax effect of expenses not deductible for tax purpose	**6,743**	9,422
Tax effect of tax losses not recognised	**40,718**	16,796
Overprovision in respect of prior years	**–**	(473)
PRC withholding tax	**–**	6,679
Others	**1,363**	2,517
Taxation for the year	**8,788**	18,404

Note: As the Group operates in several different tax jurisdictions, the tax rate applied in the tax reconciliation represents the weighted average domestic tax rates of the individual tax jurisdiction.

12. DIVIDENDS

The Board has resolved not to recommend a final dividend in respect of the years ended 30 June 2019 and 30 June 2018 to the holders of ordinary shares of the Company.

13. LOSS PER ORDINARY SHARE

	2019 **HK$'000**	2018 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per ordinary share	**(181,414)**	(59,654)

	2019 **'000**	2018 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share	**1,057,937**	908,958

Note:

The weighted average number of ordinary shares for the purposes of calculating basis and diluted loss per ordinary share for year ended 30 June 2018 has been adjusted to reflect the Share Consolidation (as defined in note 30(b)) on 18 July 2018.

The computation of diluted loss per ordinary share did not assume the exercise of share options (2018: share options and bonus warrants) because their exercise price is higher than the average share price, and the conversion of CB 2019 (as defined in note 23(a)) since their conversion would result in a decrease in loss per ordinary share.

14. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
As at 1 July 2017	–	57,306	55,215	2,350	114,871
Exchange realignment	–	1,390	1,591	–	2,981
Additions	6,234	17,441	6,846	–	30,521
Disposals	–	(238)	(5,788)	–	(6,026)
As at 30 June 2018	6,234	75,899	57,864	2,350	142,347
Exchange realignment	(234)	(2,057)	(1,144)	–	(3,435)
Additions	183	23,169	5,067	777	29,196
Disposals	–	(6,189)	(5,903)	(559)	(12,651)
As at 30 June 2019	6,183	90,822	55,884	2,568	155,457
Depreciation and impairment					
As at 1 July 2017	–	34,442	35,287	2,308	72,037
Exchange realignment	–	859	1,096	–	1,955
Provided for the year	104	13,275	6,806	37	20,222
Eliminated upon disposals	–	(238)	(4,551)	–	(4,789)
As at 30 June 2018	104	48,338	38,638	2,345	89,425
Exchange realignment	(4)	(1,374)	(788)	–	(2,166)
Provided for the year	204	17,787	5,928	144	24,063
Impairment loss recognised in profit or loss	1,064	1,603	1,115	–	3,782
Eliminated upon disposals	–	(5,465)	(5,429)	(559)	(11,453)
As at 30 June 2019	1,368	60,889	39,464	1,930	103,651
Carrying values					
As at 30 June 2019	4,815	29,933	16,420	638	51,806
As at 30 June 2018	6,130	27,561	19,226	5	52,922

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Building	Over the estimated useful lives of 20 years
Leasehold improvements	Over the estimated useful lives of 5 years (i.e. 20%) or the term of the lease, if shorter
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20%

During the year, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that a number of assets were impaired, due to a series of disposal subsequent to the end of reporting period. The recoverable amount of the relevant assets, which have been determined on the basis of fair value less costs to disposal, is less than the carrying amounts. Accordingly, impairment losses of HK$3,782,000 have been recognised in respect of property, plant and equipment, which are used in the Group's wholesales and sub-contracting operations in Mainland China.

15. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2019 HK$'000	2018 HK$'000
Deposits paid under non-current assets represent:		
Rental deposits	**8,375**	10,306
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**89,835**	106,705
Less: allowance for credit loss	**(6,725)**	–
	83,110	106,705
Rental deposits	**7,936**	6,600
Value added tax receivables	**54,263**	84,095
Prepayment	**10,061**	2,543
Loan interest receivables, net of allowance for credit loss (note 21)	–	194
Other receivables and deposits paid	**11,273**	13,575
	166,643	213,712

As at 30 June 2019 and 1 July 2018, trade receivables from contracts with customers amounted to HK$83,110,000 and HK$106,705,000, respectively.

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period of 30 to 90 days to its debtors.

Included in trade receivables as at 30 June 2019 is amount related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$746,000 (2018: nil).

Included in rental deposits and other receivables and deposits paid as at 30 June 2019 are amounts related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$5,167,000 (2018: HK$1,008,000).

The loan interest receivables are arising from money lending business with gross carrying amount of HK$11,558,000 and full impairment loss provided. Details of impairment assessment of loan interest receivables for the year ended 30 June 2019 are set out in note 38.

15. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID *(Continued)*

The following is an aged analysis of trade receivables presented based on the invoice dates, net of allowance, at the end of the reporting period.

	2019	2018
	HK$'000	HK$'000
0-30 days	**50,366**	76,032
31-60 days	**5,082**	9,902
61-90 days	**28**	12,854
Over 90 days	**27,634**	7,917
	83,110	106,705

As at 30 June 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$32,824,000 which are past due as at the reporting date. Out of the past due balances, HK$12,382,000 has been past due 90 days or more and is not considered as in default because of the good repayment records of those customers and continuous business relationship with the Group. The Group does not hold any collateral over these balances.

As at 30 June 2018, included in the Group's trade receivables balance were debtors with aggregate amount of HK$33,735,000 which were past due as at the end of the reporting period for which the Group had not provided for impairment loss.

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

	2018
	HK$'000
1-30 days	12,342
31-60 days	10,947
61-90 days	8,360
Over 90 days	2,086
	33,735

Movement in the allowance for doubtful debts on trade receivables was as follows:

	2018
	HK$'000
At beginning of the year	11,533
Amounts written off as uncollectable	(11,533)
At end of the year	–

As at 30 June 2018, in estimating the recoverability of trade receivables, it was the Group's policy to take into consideration the aging analysis, subsequent settlements of the receivables, repayment history and credit worthiness of debtors.

Details of impairment assessment of trade and other receivables for the year ended 30 June 2019 are set out in note 38.

16. INTANGIBLE ASSETS

	2019 HK$'000	2018 HK$'000
Trademarks (Note)	**168,066**	168,066
License	**1,078**	1,078
	169,144	169,144

Note: The trademarks have contractual lives of 10 years commencing in November 2018 and March 2019 of "3D-Gold", and are renewable at minimal cost. The directors of the Company are of the opinion that the Group has the intention and ability to renew the trademarks continuously. As a result, the trademarks are considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

On 30 June 2019, management of the Group conducted impairment review on the trademarks. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period and a pre-tax discount rate of 11.0% (2018: 12.0%). The cash flows beyond the ten-year period are extrapolated using a 3.0% (2018: 3.0%) growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. The growth rate does not exceed the long-term average growth rate for the relevant industry. Based on the assessments, management expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks. The recoverable amount of trademark exceeds its carrying amount by HK$3,436,000.

If the pre-tax discount rate was changed to 11.5% or the growth rate during the forecast period decreased by 5%, while other parameters remain constant, the recoverable amount of the trademarks would be reduced to HK$161,339,000 or HK$163,068,000, and an impairment loss of trademarks of HK$6,727,000 or HK$4,998,000 would be recognised.

17. INTEREST IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Unlisted investments, at cost	**2,000**	2,000
Share of post-acquisition losses	**(2,000)**	(2,000)
	–	–

As at 30 June 2019 and 30 June 2018, the Group had interests in the following joint venture:

Name of entity	Attributable interest to the Group 2019	2018	Proportion of voting power held 2019	2018	Principal activity
La Milky Way International Company Limited ("La Milky Way") (Note (a))	**50%**	50%	**50%**	50%	In process of deregistration (Note (b))

Notes:

(a) The place of incorporation and the principal place of operation of La Milky Way are in Hong Kong.

(b) In May 2019, the shareholders of La Milky Way resolved to approve the commencement of its deregistration process, and La Milky Way has been deregistered on 27 September 2019.

17. INTEREST IN A JOINT VENTURE *(Continued)*

Information of a joint venture that is not material:

	2019 HK$'000	2018 HK$'000
The unrecognised share of profit of a joint venture for the year	–	15
Cumulative unrecognised share of losses of a joint venture	(19,619)	(19,619)

18. EQUITY INSTRUMENTS AT FVTOCI/AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2019 HK$'000	2018 HK$'000
Quoted equity investments			
– Equity instruments at FVTOCI	(a)	3,584	–
– Available-for-sale investments	(a)	–	15,118
Unquoted equity investments			
– Equity instruments at FVTOCI	(b)	–	–
– Available-for-sale investments, at cost	(b)	–	–
		3,584	15,118

Notes:

(a) The quoted equity investment is stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment at the end of the reporting period is held for strategic purpose. Impairment of HK$3,420,000 was provided under HKAS 39 during the year ended 30 June 2018 as the management considered that the decrease in fair value is significant and prolonged.

In the current year, the Group disposed of the quoted equity investment, at a consideration of HK$7,658,000, which was also the fair value as at the date of disposal. A cumulative loss on disposal of HK$8,477,000 has been transferred to accumulated losses.

(b) The unquoted equity investments represented equity investments in private limited companies stated at their fair values, determined with reference to underlying assets and take into consideration of discount for lack of marketability and minority discount. impairment of HK$2,620,000 was provided under HKAS 39 during the year ended 30 June 2018.

19. DEFERRED TAXATION

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**(11,857)**	(17,112)
Deferred tax liabilities	**42,016**	42,016
	30,159	24,904

The following are the deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years.

	Fair value adjustment on intangible assets HK$'000 (Note)	Fair value adjustment on gold loans HK$'000	Provision on trade and other receivables HK$'000	Provision on staff benefits in the PRC HK$'000	Provision on inventories HK$'000	Unused tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 July 2017	42,016	(945)	(3,984)	(2,419)	(5,188)	–	(5,348)	24,132
Charge (credit) to profit or loss	–	945	3,984	(1,474)	(185)	–	(2,498)	772
As at 30 June 2018	42,016	–	–	(3,893)	(5,373)	–	(7,846)	24,904
Adjustment (note 3)	–	–	(247)	–	–	–	(300)	(547)
As at 1 July 2018 (restated)	42,016	–	(247)	(3,893)	(5,373)	–	(8,146)	24,357
(Credit) charge to profit or loss	–	–	(90)	(533)	3,363	(1,409)	4,471	5,802
As at 30 June 2019	**42,016**	**–**	**(337)**	**(4,426)**	**(2,010)**	**(1,409)**	**(3,675)**	**30,159**

Note: Such deferred tax liabilities are attributable to taxable temporary differences arising on initial recognition of assets at fair values which were acquired in business combination in prior years.

19. DEFERRED TAXATION *(Continued)*

As at 30 June 2019, the Group has unused tax losses of HK$933,256,000 (2018: HK$714,889,000) available to offset against future profits. Deferred tax asset has been recognised in respect of HK$5,636,000 (2018: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$927,620,000 (2018: HK$714,889,000) due to the unpredictability of future profit streams.

Unused tax losses will expire as follows:

	2019 **HK$'000**	2018 HK$'000
2019	**–**	–
2020	**344**	358
2021	**383**	398
2022	**253**	263
2023	**19,646**	20,413
2024	**43,952**	–
Carried forward indefinitely	**863,042**	693,457
	927,620	714,889

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$230,492,000 (2018: HK$263,346,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

20. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials	**51,366**	77,841
Finished goods	**806,023**	901,513
	857,389	979,354

Inventories are measured at the lower of cost and net realisable value. The Group has recognised allowance of HK$286,000 (2018: reversed allowance of HK$1,655,000) and included in "cost of sales".

21. LOAN RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Fixed-rate loan receivables		
– Secured	**10,000**	–
– Unsecured	**64,400**	14,000
Less: allowance for credit loss	**(74,400)**	–
	–	14,000

The Group holds collateral of entire equity interest of a private limited company for secured loan receivables at principal amount of HK$10,000,000 (2018: nil). Loan receivables at principal amount of HK$12,000,000 are unsecured and guaranteed by respective sole shareholder of the borrowers, while the remaining loan receivables are unsecured and unguaranteed. Included in the unsecured loan receivables as at 30 June 2019 are loans advanced to a substantial shareholder at principal amount of HK$2,900,000 (30 June 2018: nil).

Secured loan receivable carries fixed-rate interests at 21% per annum and with maturity of 1 year. Unsecured loan receivables carry fixed-rate interests ranged from 15% to 22% (2018: 22%) per annum and with maturity ranged from 6 months to 1 year (2018: 1 year). All amounts of principal will be receivable on respective maturity dates.

On 2 October 2019, the Company published an announcement that the auditor of the Company raised their concerns on the business rationale and commercial substance of certain loan transactions amounting HK$74,400,000 and the related interest receivables amounting HK$11,558,000. Such loans were advanced by Prosten Finance Limited, a wholly-owned subsidiary of the Company which is principally engaged in money lending business. Given the concerns on loan transactions, the auditor requested the audit committee of the Company to conduct an independent investigation on the authenticity and commercial substance of the relevant transactions.

The directors of the Company have established a special investigation committee to undertake investigation on matters pertaining to the loan transactions (the "Special Investigation Committee"). The Special Investigation Committee has engaged an independent forensic investigation firm (the "Forensic Accountant") to undertake an independent forensic investigation into the concerned matter (the "Forensic Investigation"). The Forensic Accountant has completed the Forensic Investigation and issued a final report of the Forensic Investigation ("Forensic Investigation Report") on 6 January 2020. The key findings and recommendations of Forensic Investigation Report were explained in the announcement of the Company on 7 January 2020.

As mentioned in the Forensic Investigation Report, apart from a former executive director of the Company who resigned in August 2018 and a former director of Prosten Finance Limited who resigned in January 2020 being responsible for preparing the relevant loan documents (the "Involved Former Directors"), the former chief executive officer and executive director of the Company (the "Involved Former CEO") was the only person responsible for contacting client, determining the loan amount and interest rate, reviewing and approving the risk assessment, and signing the agreement for granting of the loan transactions.

The Forensic Accountant has indicated ineffective internal control mechanism for those loan transactions and alleged the Involved Former CEO and Involved Former Directors' negligence and malfeasance in approving and granting those loan transactions, thereby calling into question the commercial reasonableness of the relevant transactions, in light that they did not maintain a professional scepticism to establish a reasonable and reliable credit evaluation mechanism, hire a professional credit team to conduct credit risk assessment, and establish and effective internal control mechanism to monitor the credit review and approval process.

Given the above circumstances, the Group has issued either writs of summon or statutory demand to those borrowers who were default in payment. In view of the uncertainty in recoverability, the directors of the Company have recognised impairment losses on all the loan receivables and related interest receivables to reflect the expected credit losses.

21. LOAN RECEIVABLES *(Continued)*

Details of each of loan transactions were as follows:

	Notes	Due date	**Loan principals**		**Loan interest receivables**	
			2019	2018	**2019**	2018
			HK$'000	HK$'000	**HK$'000**	HK$'000
Borrower A	(i), (iii)	7 June 2019	**14,000**	14,000	**2,503**	194
Borrower B	(i), (iv)	10 July 2019	**2,500**	–	**397**	–
		5 August 2019	**4,000**	–	**624**	–
		30 August 2019	**3,500**	–	**613**	–
Borrower C	(ii), (v)	18 July 2019	**7,500**	–	**1,447**	–
Borrower D	(ii), (v)	18 July 2019	**4,500**	–	**868**	–
Borrower E	(i), (iii), (vi)	25 July 2019	**5,000**	–	**674**	–
		31 July 2019	**5,000**	–	**674**	–
Borrower F	(i), (iii)	2 March 2019	**600**	–	**99**	–
		30 July 2019	**2,000**	–	**267**	–
Borrower G	(i), (iii)	23 August 2019	**10,000**	–	**1,787**	–
Borrower H	(ii), (iii)	25 September 2019	**10,000**	–	**1,145**	–
Borrower I	(i), (iii), (vii)	26 November 2019	**200**	–	**308**	–
		5 December 2019	**2,700**	–	**23**	–
Borrower J	(ii), (iii), (viii)	20 March 2020	**2,900**	–	**129**	–
			74,400	14,000	**11,558**	194

Notes:

(i) The borrower is an individual.

(ii) The borrower is a private corporate.

(iii) The loan receivable is unsecured and unguaranteed.

(iv) The loan receivable is secured by entire equity interest of a private company.

(v) The loan receivable is unsecured and guaranteed by respective sole shareholder of the borrower.

(vi) The borrower is a spouse of the director of non-wholly-owned subsidiaries of the Company.

(vii) The borrower is a substantial shareholder of the Company.

(viii) The director of the borrower serves as a director of non-wholly-owned subsidiaries of the Company.

21. LOAN RECEIVABLES *(Continued)*

As at 30 June 2019, included in the Group's loan receivables balance are debtors with aggregate carrying amounts of HK$14,600,000 which are past due as at the reporting date, of which HK$600,000 has been past due 90 days or more. Up to the date of this report, over 95% of the loan receivables have been past due, and the Group has issued either writs of summon or statutory demand for demanding repayment. Based on the abovementioned circumstances, the Group has provided impairment loss on all the loan receivables and related interest receivable. Details of impairment assessment for the year ended 30 June 2019 are set out in note 38.

As at 30 June 2018, there were no loan receivables past due at the end of the reporting period. The Group reviewed the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors of the Company believed that there was no impairment required for the year ended 30 June 2018.

22. AMOUNT DUE TO A JOINT VENTURE

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

23. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible bonds

Convertible bonds due 2019 ("CB 2019")

In connection with the disposal of 50% of the Group's interest in CGS on 6 June 2014, the Company entered into a subscription agreement with the Purchaser for the issue of CB 2019 with aggregate principal amount of HK$57,080,000. CB 2019 bears interest at the rate of 3% per annum payable annually in arrears on 31 December and the convertible bonds mature on the date falling on the fifth anniversary from the date of issue of such convertible bond.

The conversion can be made at anytime commencing on the date falling the second anniversary of the issue date and expiring on the date which is 3 days preceding the maturity date, at a conversion price of HK$0.178 per ordinary shares (adjusted to HK$0.712 upon completion of the Share Consolidation (as defined in note 30(b)), subject to anti-dilutive adjustments.

Upon issuance of CB 2019, an amount of HK$28,666,000 and HK$56,036,000 were recognised as liability and derivative embedded in CB 2019 at initial recognition, respectively.

Subsequent to the expiry of the original maturity of CB 2019 on 6 June 2019 as set out in the relevant agreement, the Company has entered into a supplementary agreement with the Purchaser and agreed the CB 2019 is required to be redeemed by the Company at a price of HK$57,080,000 not later than 9 September 2019, with interest charging at 8% per annum. The conversion options lapsed as a consequence on 6 June 2019.

23. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(a) Convertible bonds *(Continued)*

Convertible bonds due 2019 ("CB 2019") *(Continued)*

As at 30 June 2019, the liability component of CB 2019 amounting to HK$57,080,000 is reclassified to loans from a non-controlling shareholder of a subsidiary.

	Liability component HK$'000
At 1 July 2017	43,064
Coupon interest accrued at 1 July 2017 and included in other payables	823
Interest charged during the year	8,402
Payment of coupon interest	(1,712)
Coupon interest accrued at 30 June 2018 and included in other payables	(824)
At 30 June 2018	49,753
Coupon interest accrued at 1 July 2018 and included in other payables	824
Interest charged during the year	8,952
Payment of coupon interest	(2,449)
Reclassified to loans from a non-controlling shareholder of a subsidiary	(57,080)
At 30 June 2019	–

The effective interest rates of CB 2019 was 19.47% per annum.

(b) Derivative financial instruments

	2019 HK$'000	2018 HK$'000
Derivatives embedded in convertible bonds	–	385

	Embedded derivatives HK$'000
At 1 July 2017	4,299
Change in fair value	(3,914)
At 30 June 2018	385
Change in fair value	(385)
At 30 June 2019	–

The fair value of the embedded derivatives at 30 June 2018 is based on valuation carried out on those dates by an independent professional valuer.

23. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(b) Derivative financial instruments *(Continued)*

As set out in note 23(a), CB 2019's conversion options lapsed during the year ended 30 June 2019.

The inputs used in the trinomial option pricing model adopted by the independent professional valuer in determining the fair values at 30 June 2018 as follows:

	At 30 June 2018
Share price	HK$0.068
Exercise price (note)	HK$0.178
Expected dividend yield	0.00%
Volatility	55.23%
Risk free rate	1.68%

Note: Upon completion of the Share Consolidation (as defined in note 30(b)), the exercise price has adjusted from HK$0.178 to HK$0.712 per ordinary share, and the number of shares to be issued upon conversion has been adjusted from 320,674,157 to 80,168,539.

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to HK$941,388,000 (2018: HK$742,299,000) have been pledged to secure certain short-term bank loans and are therefore classified as current assets. Pledged bank deposits will be released upon the settlement of relevant loans.

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2018: 0.01% to 0.35%) per annum. Pledged bank deposits carry interest at fixed rates ranging from 1.84% to 2.35% (2018: 1.65% to 2.25%) per annum.

Included in the bank balances and cash of the Group as at 30 June 2019 are bank balances amounting to HK$26,207,000 (2018: HK$2,100,000) which are denominated in currencies other than the functional currencies of the respective group entities.

25. TRADE AND BILLS PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2019 HK$'000	2018 HK$'000
Trade payables	**37,839**	107,441
Bills payables	**–**	22,964
Deposits received from customers (Note (a))	**–**	25,783
Deposits received	**25,000**	–
Franchisee guarantee deposits (Note (b))	**48,986**	50,701
Value added tax payables	**17,374**	36,884
Salary and bonus payables	**52,960**	58,470
Payables in respect of the acquisition of a property	**–**	3,593
Other payables, accruals and other deposits	**35,906**	30,854
	218,065	336,690
Less: Amounts due within one year and shown under current liabilities	**(218,065)**	(333,097)
Amounts shown under non-current liabilities	**–**	3,593

Notes:

(a) Amount represents receipts in advance from franchisees for franchising and licensing operations. Such amounts are reclassified to "contract liabilities" upon application of HKFRS 15 in the current year.

(b) Franchisee guarantee deposits represent refundable deposits from the franchisees for use of the trademarks "3D-GOLD".

The credit period on purchase of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

Included in trade payables as at 30 June 2019 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$882,000 (2018: HK$3,519,000).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 30 June 2019 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$922,000 (2018: HK$1,586,000) and HK$894,000 (2018: HK$3,017,000) respectively.

Included in other payables, accruals and other deposits are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$2,365,000 (2018: HK$2,680,000).

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period.

	2019 HK$'000	2018 HK$'000
0-30 days	**33,428**	72,216
31-60 days	**2,808**	49,971
61-90 days	**472**	1,219
Over 90 days	**1,131**	6,999
	37,839	130,405

26. CONTRACT LIABILITIES

	30.6.2019 HK$'000	1.7.2018* HK$'000
Receipts in advance from franchisees (Note a)	**20,383**	25,783
Customer loyalty programmes (Note b)	**2,866**	2,266
	23,249	28,049

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Receipts in advance from customers HK$'000	Customer loyalty programmes HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	25,783	1,059

Notes:

a) The Group receives deposits from franchisees before the relevant franchising and licensing activities commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit received.

b) The Group has established a customer loyalty program in which customers could earn reward points via their purchases. Under the program, customers could utilise these reward points to redeem gifts and coupons over a specific period. Upon adoption of HKFRS 15, a portion of the transaction price shall be deferred and be recognised only when the customers redeem their points or due to the expiration of these reward points.

27. REFUND LIABILITIES

	2019 HK$'000
Refund liabilities arising from right of return	**4,782**

28. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The loan from a non-controlling shareholder of a subsidiary of HK$100,000,000 is unsecured, interest-free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period. Another loans from a non-controlling shareholder of a subsidiary of HK$20,000,000 and HK$23,190,000 were unsecured, interest bearing at 2% per annum and repayable in August 2018 and September 2018, respectively were repaid in current year.

During the year ended 30 June 2019, the Company has entered into a supplementary agreement with the Purchaser, in connection with the CB 2019 (as defined in note 23(a)), resulting into reclassification of the liability component of CB 2019 amounting HK$57,080,000 to loan from a non-controlling shareholder of a subsidiary. Such loan is unsecured, interest bearing at 8% per annum and repayable in September 2019. Details are set out in note 23(a).

29. BANK AND OTHER BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Secured floating rate bank borrowings	**1,860,749**	1,450,000
Unsecured fixed rate other borrowings		
– independent third parties	**51,143**	50,000
	1,911,892	1,500,000
Secured	**1,860,749**	1,450,000
Unsecured	**51,143**	50,000
	1,911,892	1,500,000
Carrying amounts repayable:		
Within one year*	**187,892**	180,000
More than two years but not exceeding five years*	**20,000**	20,000
	207,892	200,000
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities)		
– Repayable within one year*	**1,704,000**	1,300,000
	1,911,892	1,500,000
Less: Amounts due within one year and shown under current liabilities	**(1,891,892)**	(1,480,000)
Amounts shown under non-current liabilities	**20,000**	20,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

29. BANK AND OTHER BORROWINGS *(Continued)*

Borrowings comprise:

	Notes	Maturity date	Effective interest rate 2019	Effective interest rate 2018	Carrying amount 2019 HK$'000	Carrying amount 2018 HK$'000
Bank borrowings:						
Secured HK$ bank loans	(a)	July 2019 (2018: July 2018)	**4.22%**	3.64%	**504,000**	700,000
Secured HK$ bank loans	(b)	July 2019 (2018: November 2018 to June 2019)	**3.94%**	3.47%	**900,000**	600,000
Secured HK$ bank loans	(c)	June 2020 (2018: June 2019)	**4.75%**	4.12%	**150,000**	150,000
Secured HK$ bank loans	(d)	July 2019	**3.89%**	–	**300,000**	–
Secured RMB bank loans	(e)	May 2019	**6.09%**	–	**6,749**	–
Total bank borrowings					**1,860,749**	1,450,000
Unsecured other borrowings:						
An independent third party	(f)	25 December 2019	**36%**	–	**3,343**	–
An independent third party	(g)	11 September 2020	**5%**	5%	**20,000**	20,000
An independent third party	(h)	15 July 2019 (2018: 16 July 2018)	**18%-20%**	18%	**22,800**	15,000
An independent third party	(h)	29 May 2019 (2018: 29 November 2018)	**18%**	18%	**5,000**	15,000
					51,143	50,000
Total bank and other borrowings					**1,911,892**	1,500,000

Notes:

(a) The bank loans are secured by pledged bank deposits and interest bearing at 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.08% to 2.5% per annum.

(b) The bank loans are secured by pledged bank deposits and interest bearing at 1-month HIBOR plus 1.5% to 1.8% per annum.

(c) The bank loans are secured by pledged bank deposits and interest bearing at 1-month HIBOR plus 2.5% per annum.

(d) The bank loans are secured by pledged bank deposits and interest bearing at 1-month HIBOR plus 1.5% per annum.

(e) The bank loans are secured by land use right provided by an independent third party and interest bearing at People's Bank of China ("PBOC") lending rate plus 1.78% per annum.

(f) The loan is interest bearing at a fixed rate of 36% per annum.

(g) The loan is interest bearing at a fixed rate of 5% per annum.

(h) The loans are interest bearing at a fixed rate ranging from 18% to 20% per annum.

30. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each at 1 July 2017		6,000,000	60,000
Increase	(a)	14,000,000	140,000
Ordinary shares of HK$0.01 each at 30 June 2018		20,000,000	200,000
Adjustments from Share Consolidation	(b)	(15,000,000)	–
Ordinary shares of HK$0.04 each at 30 June 2019		5,000,000	200,000
Preference shares of HK$0.01 each at 1 July 2017 and 30 June 2018		3,000,000	30,000
Adjustments from Share Consolidation	(b)	(2,250,000)	–
Preference shares of HK$0.04 each at 30 June 2019		750,000	30,000
Total:			
At 1 July 2017		9,000,000	90,000
At 30 June 2018		23,000,000	230,000
At 30 June 2019		5,750,000	230,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.01 each at 1 July 2017		3,522,394	35,224
Exercise of warrants	(c)	29	–
Issue of shares	(d)	300,000	3,000
Ordinary shares of HK$0.01 each at 30 June 2018		3,822,423	38,224
Adjustments from Share Consolidation	(b)	(3,028,817)	–
Issue of shares	(e)(i), (ii) & (iii)	473,110	12,444
Ordinary shares of HK$0.04 each at 30 June 2019		1,266,716	50,668

Notes:

(a) Pursuant to the ordinary resolution passed on 10 August 2017, the total authorised share capital of the Company was increased from HK$60,000,000 divided into 6,000,000,000 ordinary shares of par value HK$0.01 each to HK$200,000,000 by the creation of additional 14,000,000,000 ordinary shares of par value HK$0.01 each.

(b) Pursuant to the resolution passed on 17 July 2018, the consolidation of every four issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company into one consolidated ordinary share of par value of HK$0.04 each in the share capital of the Company (the "Share Consolidation") became effective on 18 July 2018. Upon the completion of the Share Consolidation, the conversion price and the number of share issued upon conversion of the CB 2019 (as disclosed in note 23) and the exercise price and the number of underlying shares comprised in the outstanding options of the Company (as disclosed in note 31) have been adjusted accordingly.

(c) On 24 July 2017 and 6 February 2018, the Company issued 3,000 and 26,059 ordinary shares of HK$0.01, respectively, at the exercise price of HK$0.245 per ordinary share upon exercise of the bonus warrants granted by the Company.

30. SHARE CAPITAL *(Continued)*

Notes (Continued):

(d) On 13 February 2018, the Company issued 300,000,000 ordinary shares by way of placing at price of HK$0.08 per share.

(e)(i) On 18 July 2018, the Company issued 216,000,000 ordinary shares by way of placing at a price of HK$0.0728 per share, which has been consolidated into 54,000,000 shares upon the completion of the Share Consolidation.

(e)(ii) On 20 July 2018, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party agreed to subscribe 47,110,000 shares of the Company at the subscription price of HK$0.25 per share. The subscription was completed on 30 July 2018.

(e)(iii) On 29 May 2019, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party agreed to subscribe 210,000,000 shares of the Company at the subscription price of HK$0.12 per share. The subscription was completed on 18 June 2019.

31. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme at the special general meeting held on 23 January 2009 by way of an ordinary resolution (the “2009 Share Option Scheme”) for the purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group’s shareholders, directors, employees, business partners, customers and suppliers.

Pursuant to the 2009 Share Option Scheme, the Board of Directors of the Company (the “Board”) may grant options to the eligible persons to subscribe for the Company’s shares for a consideration of HK$1 for each lot of share options issued. The exercise price is to be determined by the Board and shall not less than the highest of (i) the closing price of the Company’s shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of grant; (ii) the average closing price of the Company’s shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant and (iii) the nominal value of a share of the Company.

Pursuant to the 2009 Share Option Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option schemes of the Company (the “Scheme Mandate Limit”) is not permitted to exceeded 45,179,000 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the 2009 Share Option Scheme or approximately 8.52% of the issued share capital of the Company as at 31 March 2009. During the year ended 30 June 2012, the Scheme Mandate Limit of 2009 Share Option Scheme was refreshed. Under the refreshed limit, the Board may grant options to eligible participants under the 2009 Share Option Scheme to subscribe a maximum of 194,608,603 shares, representing 10% of the issued share capital of the Company as at 31 August 2010, the date on which the Scheme Mandate Limited was approved by the Shareholders. The maximum number of share options were adjusted to 200,559,168 shares as a result of completion of the rights issue.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

As at 30 June 2019, the number of options which remain outstanding under the 2009 Share Option Scheme was 64,995,831 (2018: 375,907,529) which, if exercise in full, representing 4.88% (2018: 8.95%) of the enlarged capital of the Company, as a result of the Share Consolidation (as defined in note 30(b)) on 17 July 2018. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities on the Stock Exchange from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2009 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of the total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. The participant and his associates (as defined in the Listing Rules) are abstained from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The period during when an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

The following table sets out the movements of the Company's share options during the current and prior years:

					Number of options						
Eligible person	Date of grant	Exercisable period	Exercise price HK$ (Note c)	Adjustment exercise price after Share Consolidation	Outstanding as at 1.7.2017	Granted during the year (Note a)	Lapsed during the year (Note b)	Outstanding as at 30.6.2018	Adjusted after Share Consolidation (Note c)	Lapsed during the year (Note b)	Outstanding as at 30.6.2019
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.4280	1.7120	525,604	–	–	525,604	(394,203)	(131,401)	–
	20.7.2009	20.7.2009 to 19.7.2019	1.2980	5.1920	1,861,408	–	(581,690)	1,279,718	(959,789)	(290,845)	29,084
	26.7.2011	26.7.2011 to 25.7.2021	0.4810	1.9240	1,163,380	–	–	1,163,380	(872,535)	(290,845)	–
	26.7.2011	26.7.2012 to 25.7.2021	0.4810	1.9240	1,745,070	–	–	1,745,070	(1,308,803)	(436,267)	–
	26.7.2011	26.7.2013 to 25.7.2021	0.4810	1.9240	2,326,761	–	–	2,326,761	(1,745,071)	(581,690)	–
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	0.9152	2,600,000	–	(2,000,000)	600,000	(450,000)	–	150,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	0.9152	4,600,000	–	(2,000,000)	2,600,000	(1,950,000)	(500,000)	150,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	0.9152	4,600,000	–	(2,000,000)	2,600,000	(1,950,000)	(500,000)	150,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	0.3232	–	150,500,000	–	150,500,000	(112,875,000)	(26,250,000)	11,375,000
					19,422,223	150,500,000	(6,581,690)	163,340,533	(122,505,401)	(28,981,048)	11,854,084

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table sets out the movements of the Company's share options during the current and prior years (Continued):

					Number of options						
Eligible person	Date of grant	Exercisable period	Exercise price HK$ (Note c)	Adjustment exercise price after Share Consolidation	Outstanding as at 1.7.2017	Granted during the year (Note a)	Lapsed during the year (Note b)	Outstanding as at 30.6.2018	Adjusted after Share Consolidation (Note c)	Lapsed during the year (Note b)	Outstanding as at 30.6.2019
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.2980	5.1920	1,163,380	–	–	1,163,380	(872,535)	–	290,845
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	0.9152	1,000,000	–	–	1,000,000	(750,000)	–	250,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	0.9152	1,000,000	–	–	1,000,000	(750,000)	–	250,000
	25.2.2013	28.2.2015 to 24.1.2023	0.2288	0.9152	2,500,000	–	–	2,500,000	(1,875,000)	–	625,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	0.3232	–	131,000,000	–	131,000,000	(98,250,000)	–	32,750,000
					5,663,380	131,000,000	–	136,663,380	(102,497,535)	–	34,165,845
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.2980	5.1920	232,676	–	–	232,676	(174,508)	–	58,168
	13.4.2010	13.4.2009 to 12.4.2020	1.2030	4.8120	2,326,761	–	–	2,326,761	(1,745,071)	–	581,690
	13.4.2010	13.7.2010 to 12.4.2020	1.2030	4.8120	5,816,901	–	–	5,816,901	(4,362,676)	–	1,454,225
	13.4.2010	13.10.2010 to 12.4.2020	1.2030	4.8120	5,816,901	–	–	5,816,901	(4,362,676)	–	1,454,225
	13.4.2010	13.1.2011 to 12.4.2020	1.2030	4.8120	6,710,377	–	–	6,710,377	(5,032,783)	–	1,677,594
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	0.9152	800,000	–	(800,000)	–	–	–	–
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	0.9152	800,000	–	(800,000)	–	–	–	–
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	0.9152	800,000	–	(800,000)	–	–	–	–
	27.2.2013	28.2.2014 to 24.1.2023	0.2288	0.9152	10,000,000	–	–	10,000,000	(7,500,000)	–	2,500,000
	27.2.2013	28.2.2015 to 24.1.2023	0.2288	0.9152	10,000,000	–	–	10,000,000	(7,500,000)	–	2,500,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	0.3232	–	35,000,000	–	35,000,000	(26,250,000)	–	8,750,000
					43,303,616	35,000,000	(2,400,000)	75,903,616	(56,927,714)	–	18,975,902
					68,389,219	316,500,000	(8,981,690)	375,907,529	(281,930,650)	(28,981,048)	64,995,831
Exercisable at the end of the year					68,389,219			375,907,529			64,995,831
Weighted average exercise price					0.5950	0.0808	0.2980	0.1692	–	0.4711	0.7683

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Notes:

(a) On 12 January 2018, the Company granted share options exercisable for 316,500,000 ordinary shares of HK$0.01 each in the Company to certain eligible directors, employees and consultants under 2009 Share Option Scheme with an exercise price of HK$0.0808 per share and no vesting period. The fair value of the share options granted was HK$8,949,000.

The fair value of the share options was calculated using the Black-Scholes model. The inputs of model were as follows:

	Director	**Employee**	**Consultant**
Grant date	12 January 2018	12 January 2018	12 January 2018
Grant date share price	HK$0.0808	HK$0.0808	HK$0.0808
Adjusted exercise price	HK$0.3232	HK$0.3232	HK$0.3232
Risk-free rate	1.9282%	1.9282%	1.9282%
Expected option life	10 years	10 years	10 years
Expected volatility	44.995%	44.995%	44.995%
Expected dividend yield	0%	0%	0%
Sub-optimal factor	2.60902	1.42043	2.60902
Forfeiture rate	8.86928%	4.47630%	10.58308%

The volatility adopted was based on the average historical daily volatilities of the share prices of the Company as at the valuation date. The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilised.

(b) The lapse of the share options is due to the resignation of a director (2018: expiry of the exercisable period.)

(c) The number of share options and the corresponding exercise price were adjusted from 375,907,529 to 93,976,879 with exercise price ranging from HK$0.3232 to HK$5.1920 per share option as a result of Share Consolidation on 17 July 2018.

No share options were granted during the year ended 30 June 2019.

The Group recognised nil share-based payments for the year ended 30 June 2019 (2018: HK$8,949,000) in relation to share options granted by the Company.

32. OPERATING LEASES

The Group as lessee

The Group had made the following lease payments during the year as follows:

	2019 **HK$'000**	2018 HK$'000
Operating lease rentals in respect of retail shops, offices and warehouses		
Minimum lease payments	**63,349**	55,388
Contingent rental	**70,473**	41,774
	133,822	97,162

32. OPERATING LEASES *(Continued)*

The Group as lessee *(Continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments for retail shops, offices and warehouses under non-cancellable operating leases which fall due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**44,344**	40,747
In the second to fifth year inclusive	**27,896**	33,858
	72,240	74,605

Leases are negotiated for lease terms of one to five years (2018: one to five years).

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated based on the relevant retail shops' revenue pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent payable.

The above lease commitments as at 30 June 2019 included the non-cancellable operating leases with a fellow subsidiary of a non-controlling shareholder of the Company amounted to HK$2,925,000 (2018: HK$3,872,000) in the band of "within one year" and HK$9,090,000 (2018: HK$324,000) in the band of "in the second to fifth year inclusive".

33. CAPITAL COMMITMENTS

	2019	2018
	HK$'000	HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**367**	560

34. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The retirement benefits scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000 per month.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiary established in the PRC is required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits.

The employees employed in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute Macau patacas ("MOP") 60 per month for each employee to the retirement benefit plan to fund the benefits.

34. RETIREMENT BENEFIT PLANS *(Continued)*

The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

As at 30 June 2019 and 30 June 2018, the Group had no significant obligation apart from the contribution as stated above.

35. PLEDGE OF ASSETS

As at 30 June 2019, the Group's bank deposits with carrying amounts of HK$941,388,000 (2018: HK$742,299,000) were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

36. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the year, the Group has the following related party transactions:

Relationship	**Nature of transactions**	**2019** **HK$'000**	2018 HK$'000
A joint venture	Purchase of jewellery	–	35
A non-controlling shareholder of a subsidiary	Interest expense	**544**	863
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	Interests on gold loans	–	880
	License income	**81**	1,519
	Purchase of gold and jewellery products	**12,383**	34,038
	Rental expense	**4,189**	3,235
	Sale of jewellery	**7,596**	9,027
	Sale of consumables	**12**	16
	Speciality fee	**475**	287
	Subcontracting fee	**310**	526
A company in which a director of a subsidiary has beneficial interest	License and service fee	**5,121**	5,171

As at 30 June 2019, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK$1,075,000,000 (2018: HK$927,419,000) to banks in respect of banking facilities granted to the Group. No fee is paid or payable by the Group to the guarantor.

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the consolidated statement of financial position and in notes 15, 21, 22, 23, 25 and 28.

(c) Compensation of key management personnel

Directors are key management personnel of the Company whose remuneration is disclosed in note 10.

37. CAPITAL RISK MANAGEMENT

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

The capital structure of entities in the Group consists of debts, which include convertible bonds disclosed in note 23, bank and other borrowings disclosed in note 29, loans from a non-controlling shareholder of a subsidiary disclosed in note 28 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The directors balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Available-for-sale investments	–	15,118
Equity instruments at FVTOCI	**3,584**	–
Financial assets at amortised cost	**1,166,050**	–
Loans and receivables at amortised cost	–	931,125
Financial liabilities		
At FVTPL	–	385
At amortised costs	**2,226,262**	1,945,199

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, available-for-sale investments, trade and other receivables, loan receivables, pledged bank deposits, bank balances and cash, trade and bills payables, other payables, franchisee guarantee deposits, bank and other borrowings, amount due to a joint venture, loans from a non-controlling shareholder of a subsidiary, derivative financial instruments and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

During the current year, there has been no change to the exposure of entities in the Group to market risks or the manner in which it manages and measures the risk.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from a non-controlling shareholder of a subsidiary (note 28), fixed-rate bank and other borrowings (note 29) and fixed-rate convertible bonds (note 23(a)). The Group is also exposed to cash flow interest rate risk in relation to its floating-rate bank balances and bank borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and PBOC lending rate arising from the Group's HK$ and RMB denominated borrowings.

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates of floating-rate bank borrowings only as management consider reasonable possible change in interest rate on floating-rate bank balances would not have material financial impact to the Group. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. Other than that, a 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the result of the Group would have been impacted as follows:

	2019	2018
	HK$'000	HK$'000
Increase/decrease in loss for the year	**9,304**	7,250

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets and liabilities are denominated in HK$, RMB, MOP and United States Dollar ("US$") which are currencies other than the functional currencies of the respective group entities (see respective notes). The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the monetary assets and liabilities, which are trade and other receivables, bank balances and cash, trade and other payables, accruals and deposits received, bank and other borrowings, loans from a non-controlling shareholder of a subsidiary and convertible bonds, that are denominated in currencies other than the functional currencies of the respective group entities of the Group at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**29,576**	20,691	**233,387**	251,490
RMB	**150**	94	**414**	1,974
US$	**77**	77	**553**	7,201

The sensitivity analysis does not include MOP denominated assets held by entity with HK$ as its functional currency as it is expected that there would be no material currency risk exposure.

Currency risk sensitivity analysis

The foreign currency risk of the Group is mainly concentrated on the fluctuations of RMB against HK$ and US$. The sensitivity analysis below includes currency risk related to HK$ and US$ denominated monetary items of group entities whose functional currencies are RMB and also currency risk related to RMB denominated monetary items of group entities whose functional currencies are HK$ and US$.

The following table details the sensitivity of the Group to a 5% increase and decrease in RMB against HK$ and US$ respectively. 5% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk sensitivity analysis (Continued)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the functional currency of the respective group entity. A positive number below indicates a decrease in loss where RMB strengthens against HK$ and US$. For a 5% weakening of RMB against HK$ and US$, there would be an equal and opposite impact and the balances below would be negative.

	2019 **HK$'000**	2018 HK$'000
Loss for the year		
RMB against HK$	**10,191**	11,540
RMB against US$	**24**	356

Price risk

The Group is engaged in the sale of jewellery includes gold products. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group closely monitor the commodity price and may consider to use gold loans as well as financial derivatives instruments, such as gold bullion contracts through margin account and bullion forward contracts to reduce its exposure to fluctuations in the gold price on gold inventory when need.

In addition, the Group is exposed to equity price risk through its investments in listed equity securities as disclosed in note 18. Management of the Group monitors the price risk and will consider hedging the risk exposure should the need arise.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If the price of the equity investment had been 10% higher/lower, investment revaluation reserve would increase/decrease by HK$358,000 (2018: HK$1,512,000) for the Group as a result of the changes in fair value of equity instruments at FVTOCI (2018: available-for-sale investments).

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment

As at 30 June 2019, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial positon.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risks on other receivables are insignificant as the management of the Group periodically monitors the balances to ensure that the counterparties are viable to settle the debts.

The credit risks on bank balances and pledged bank deposits are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

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

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

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

2019	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
Financial assets at amortised cost						
Trade receivables	15	N/A	(Note 1)	Lifetime ECL – not credit-impaired (provision matrix)	87,081	
				Lifetime ECL – credit-impaired	2,754	89,835
Loan receivables	21	N/A	(Note 2) Loss	Lifetime ECL – credit-impaired		74,400
Loan interest receivables	15	N/A	(Note 2) Loss	Lifetime ECL – credit-impaired		11,558
Other receivables	15	N/A	(Note 3)	12-month ECL		8,797
Pledged bank deposits	24	Aa3 or above	N/A	12-month ECL		941,388
Bank balances	24	Baa2 or above	N/A	12-month ECL		130,788

Notes:

1. For trade receivables, the Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Company determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

   As part of the Company's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 30 June 2019 within lifetime ECL.

   Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables
		HK$'000
Low risk	1.0%	52,057
Watch list	5.0% to 15.0%	31,712
Doubtful	50.0%	3,312
Loss	100.0%	2,754
		89,835

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

1. *(Continued)*

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

As at 30 June 2019, the Group provided HK$3,971,000 impairment loss for trade receivables, based on the provision matrix, while impairment loss of HK$2,754,000 was provided on credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 30 June 2018 under HKAS 39	–	–	–
Adjustment upon application of HKFRS 9	2,035	–	2,035
As at 1 July 2018-as restated	2,035	–	2,035
Impairment losses recognised	1,936	2,754	4,690
As at 30 June 2019 under HKFRS 9	3,971	2,754	6,725

2. Loan receivables and relevant interest receivables with gross carrying amounts of HK$74,400,000 and HK$11,558,000 were assessed individually, respectively.

Loan receivables and relevant interest receivables with gross carrying amounts of HK$74,400,000 and HK$11,558,000, respectively, were considered as "loss" after taking into account the credit history of the debtors including default and delay in payments, and other forward-looking information that is available without undue cost or effort.

As disclosed in note 21, during the process of Forensic Investigation, it alleged the Involved Former CEO and Involved Former Directors' negligence and malfeasance in approving and granting the loan transactions, thereby calling into question the commercial reasonableness of those loan transactions, in light that they did not maintain a professional skepticism to establish a reasonable and reliable credit evaluation mechanism, hire a professional credit team to conduct credit risk assessment, and establish an effective internal control mechanism to monitor the credit review and approval process, for instance, proper due diligence and thorough background check were not conducted before granting the relevant transactions.

Subsequent to the end of reporting period, over 95% of the loan receivables have been past due, and the Group has issued either writs of summon or statutory demand for demanding repayment. The directors of the Company considered an increasing uncertainty in recoverability of the loan transactions and there is evidence indicating that these debtors are credit-impaired, after taking into account all the circumstances as disclosed in note 21 and the findings of Forensic Investigation Report. In this regard, full impairment losses of HK$74,400,000 and HK$11,558,000 were provided for these loan receivables and relevant interest receivables respectively.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

2. *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for loan receivables and relevant interest receivables:

	Lifetime ECL (credit-impaired) HK$'000
As at 30 June 2018 under HKAS 39	–
Impairment losses recognised	85,958
As at 30 June 2019	85,958

3. The Group has assessed and concluded that the rate of default and 12-month ECL for the other receivables are insignificant based on the Group's assessment of historical default experience and forward-looking information available at the end of the reporting period. Thus, the directors of the Company considered that the impairment loss of the other receivables of the Group is insignificant as at 30 June 2019.

Liquidity risk

Regarding the liquidity risk, management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 30 June 2019, the Group has available unutilised revolving banking facilities of HK$296,000,000 (2018: nil). Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings and convertible bonds as significant sources of liquidity. The Group's current liabilities exceeded its current assets by HK$91,897,000 and its total liabilities exceeded its total assets by HK$9,147,000 as at 30 June 2019. Taking into account the financial resources of the Group, including the available facilities and the subsequent issuance of convertible bond as disclosed in note 42, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period.

The following tables detail the Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on agreed repayment dates. The tables include both interest and principal cash flows.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis, and the undiscounted gross outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the market value existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity table

	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2019								
Non-derivative financial liabilities								
Trade and bills payables and other payables	–	108,304	–	–	–	–	108,304	108,304
Franchisee guarantee deposits	–	–	–	48,986	–	–	48,986	48,986
Bank and other borrowings								
– fixed rate	13.43	28,230	1,000	3,945	1,000	21,000	55,175	51,143
– variable rate	4.16	1,864,761	–	–	–	–	1,864,761	1,860,749
Loans from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	8.00	351	439	57,168	–	–	57,958	57,080
		2,001,646	1,439	110,099	101,000	21,000	2,235,184	2,226,262

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity table (Continued)

	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2018								
Non-derivative financial liabilities								
Trade and bills payables and other payables	–	201,555	–	–	–	–	201,555	201,555
Franchisee guarantee deposits	–	–	–	50,701	–	–	50,701	50,701
Bank and other borrowings								
– fixed rate	12.80	15,450	1,450	15,450	1,000	21,000	54,350	50,000
– variable rate	3.74	1,300,512	1,024	154,305	–	–	1,455,841	1,450,000
Loans from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	2.00	–	43,373	–	–	–	43,373	43,190
Convertible bonds	17.82	132	296	58,233	–	–	58,661	49,753
		1,517,649	46,143	278,689	101,000	21,000	1,964,481	1,945,199
Derivatives								
Derivate financial instruments		–	–	385	–	–	385	385

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity table (Continued)

Bank loans with a repayment on demand clause are included in the "on demand or in 30 days" time band in the above maturity analysis. As at 30 June 2019, the aggregate amounts of these bank loans amounted to HK$1,704,000,000 (2018: HK$1,300,000,000). 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.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 30 June 2019					
Bank borrowings with a repayment on demand clause	**1,707,737**	**–**	**–**	**1,707,737**	**1,704,000**
As at 30 June 2018					
Bank borrowings with a repayment on demand clause	**704,002**	**3,532**	**606,585**	**1,314,119**	**1,300,000**

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

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

Fair value measurements and valuation processes

Certain assets and liabilities of the Group are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

Fair value measurements and valuation processes *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree of which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Financial assets/liabilities included in the consolidated statement of financial position	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
		30.6.2019 HK$'000	30.6.2018 HK$'000			
1)	Equity instruments at FVTOCI-Quoted equity investment	**3,584**	N/A	Level 1	Bid prices quoted in active market.	Not applicable
2)	Equity instruments at FVTOCI-Unquoted equity investment	**–**	N/A	Level 3	The fair value is estimated based on the underlying assets, taking into consideration of discount for lack of marketability and minority discount.	Discount for lack of marketability and minority discount (Note a)
3)	Available-for-sale investments	**N/A**	15,118	Level 1	Bid prices quoted in active market.	Not applicable
4)	Conversion option derivatives embedded in convertible bonds	**–**	(385)	Level 3	Trinomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the Company and CGS, dividend yield and exercise price.	Volatility of the share price of determined by reference to the historical share price of the Company (Note b)

Notes:

a) The higher the discount for lack of marketability and minority discount, the lower the fair value of the unquoted equity investment.

b) The higher the volatility of the share price of the Company, the higher the fair value of the conversion option derivative. For the volatility of the share price of the Company used in the fair value measurement, please refer to note 23(b).

There is no transfer between different levels of the fair value hierarchy for the years ended 30 June 2019 and 30 June 2018.

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurements

	Conversion option derivatives
	HK$'000
At 1 July 2017	4,299
Fair value gain recognised in profit or loss	(3,914)
At 30 June 2018	385
Fair value gain recognised in profit or loss	(385)
At 30 June 2019	–

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

The fair value of such financial assets and financial liabilities (categories within Level 3 hierarchy) are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

39. 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.

	Interest payables HK$'000	Bank and other borrowings HK$'000	Gold loans HK$'000	Loans from a non-controlling shareholder of a subsidiary HK$'000	Loan from a shareholder HK$'000	Convertible bonds HK$'000	Total HK$'000
As at 1 July 2017	823	1,109,505	84,823	143,190	2,000	43,064	1,383,405
Financing cash flows:							
– New bank and other borrowings raised	–	770,000	–	–	–	–	770,000
– Repayments of bank and other borrowings	–	(379,505)	–	–	–	–	(379,505)
– Interest paid	–	(41,030)	(879)	(863)	–	(1,712)	(44,484)
– Repayments of gold loans	–	–	(86,505)	–	–	–	(86,505)
– Repayment of loan from a shareholder	–	–	–	–	(2,000)	–	(2,000)
Total change from financing cash flows	–	349,465	(87,384)	(863)	(2,000)	(1,712)	257,506
Change in fair value of gold loans	–	–	(539)	–	–	–	(539)
Interest expenses	–	41,030	879	863	–	8,402	51,174
Coupon interest accrued at 1 July 2017 and included in other payables	(823)	–	–	–	–	823	–
Coupon interest accrued at 30 June 2018 and included in other payables	824	–	–	–	–	(824)	–
Foreign exchange translation	–	–	2,221	–	–	–	2,221
As at 30 June 2018	824	1,500,000	–	143,190	–	49,753	1,693,767
Financing cash flows:							
– New bank and other borrowings raised	–	1,121,892	–	–	–	–	1,121,892
– Repayments of bank and other borrowings	–	(710,000)	–	–	–	–	(710,000)
– Interest paid	(2,102)	(67,743)	–	(164)	–	(2,449)	(72,458)
– Repayments of loan from a non-controlling interest of a subsidiary	–	–	–	(43,190)	–	–	(43,190)
Total change from financing cash flows	(2,102)	344,149	–	(43,354)	–	(2,449)	296,244
Reclassification	–	–	–	57,080	–	(57,080)	–
Interest expenses	2,102	67,743	–	544	–	8,952	79,341
Coupon interest accrued at 1 July 2018 and included in other payables	(824)	–	–	–	–	824	–
Interest accrued at 30 June 2019 and included in other payables	380	–	–	(380)	–	–	–
As at 30 June 2019	380	1,911,892	–	157,080	–	–	2,069,352

40. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS AND liabilities		
Non-current Assets		
Property, plant and equipment	32	57
Loan to a subsidiary	–	100,000
Investments in subsidiaries	97,372	320,147
Equity instruments at FVTOCI	3,584	–
Available-for-sale investments	–	15,118
	100,988	435,322
Current Assets		
Other receivables and deposits paid	510	3,942
Amounts due from subsidiaries	1,866	27,434
Loan to a subsidiary	–	43,190
Bank balances and cash	23,927	599
	26,303	75,165
Current Liabilities		
Trade and other payables, accruals and deposits received	28,507	5,800
Other borrowings	27,800	30,000
Loan from a non-controlling shareholder of a subsidiary	57,080	–
Amount due to a subsidiary	17,700	17,709
Convertible bonds	–	49,753
Derivative financial instruments	–	385
	131,087	103,647
Net Current Liabilities	(104,784)	(28,482)
Total Assets Less Current Liabilities	(3,796)	406,840
Non-current Liability		
Other borrowings	20,000	20,000
NET (LIABILITIES) ASSETS	(23,796)	386,840
CAPITAL AND RESERVES		
Share capital	50,668	38,224
Reserves (Note)	(74,464)	348,616
TOTAL (DEFICIT) EQUITY	(23,796)	386,840

40. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: The movements of reserves are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2017	717,743	55,327	13,405	21,819	–	(23,712)	(428,793)	355,789
Loss for the year	–	–	–	–	–	–	(45,439)	(45,439)
Exchange difference arising on translation	–	–	–	–	–	9,000	–	9,000
Fair value loss on available-for-sale investment	–	–	–	–	(3,420)	–	–	(3,420)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for– sale investment	–	–	–	–	3,420	–	–	3,420
Total comprehensive income (expense) for the year	–	–	–	–	–	9,000	(45,439)	(36,439)
Exercise of warrants	10	–	–	(3)	–	–	–	7
Recognition of equity– settled share-based payments	–	–	8,949	–	–	–	–	8,949
Lapse of warrants	–	–	–	(21,816)	–	–	21,816	–
Lapse of share options	–	–	(1,227)	–	–	–	1,227	–
Issue of shares net of transaction cost	20,310	–	–	–	–	–	–	20,310
At 30 June 2018	738,063	55,327	21,127	–	–	(14,712)	(451,189)	348,616
Adjustment (note 3)	–	–	–	–	(16,493)	–	16,493	–
At 1 July 2018 (as adjusted)	738,063	55,327	21,127	–	(16,493)	(14,712)	(434,696)	348,616
Loss for the year	–	–	–	–	–	–	(456,989)	(456,989)
Exchange difference arising on translation	–	–	–	–	–	(2,000)	–	(2,000)
Fair value loss on equity instruments at FVTOCI	–	–	–	–	(3,876)	–	–	(3,876)
Total comprehensive expense for the year	–	–	–	–	(3,876)	(2,000)	(456,989)	(462,865)
Issue of shares, net of transaction costs	39,785	–	–	–	–	–	–	39,785
Investment revaluation reserve reclassified to accumulated losses upon disposal of equity instruments at FVTOCI	–	–	–	–	8,477	–	(8,477)	–
Lapse of share options	–	–	(6,079)	–	–	–	6,079	–
At 30 June 2019	777,848	55,327	15,048	–	(11,892)	(16,712)	(894,083)	(74,464)

41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a) 2019	2018	Attributable equity interest held 2019	2018	Principal activities
3D-GOLD Company Limited	Hong Kong	N/A	HK$100	**100%**	100%	**50%***	50%*	Investment holding
金至尊實業發展(深圳)有限公司 (3D-GOLD Enterprises Development (Shenzhen) Co. Ltd.) (Note b)	PRC	US$60,000,000	US$60,000,000	**100%**	100%	**50%***	50%*	Retailing and franchising operations of gold and jewellery products in Mainland China
3D-GOLD International Company Limited	Hong Kong	N/A	HK$2	**100%**	100%	**50%***	50%*	Holding of trademark
3D-GOLD Jewellery (HK) Limited	Hong Kong	N/A	HK$100	**100%**	100%	**50%***	50%*	Retailing of gold and jewellery products in Hong Kong
金至尊珠寶股份有限公司 (3D-GOLD Jewellery Co. Ltd.) (Note c)	PRC	RMB100,000,000	RMB20,000,000	**100%**	100%	**50%***	50%*	Sale of jewellery
3D-GOLD Management Services Limited	Hong Kong	N/A	HK$1	**100%**	100%	**50%***	50%*	Provision of management services
3D-GOLD (PRC Holding) Company Limited	Hong Kong	N/A	HK$100	**100%**	100%	**50%***	50%*	Investment holding
TP Properties (HK) Limited	Hong Kong	N/A	HK$100	**100%**	100%	**100%**	100%	Investment holding
Brand New Management Limited	British Virgin Islands	US$50,000	US$1	**100%**	100%	**100%**	100%	Investment holding
China Gold Silver Group Company Limited	British Virgin Islands	US$50,000	US$3,334	**50%**	50%	**50%**	50%	Investment holding
China Gold Silver (JV) Company Limited	British Virgin Islands	US$50,000	US$100	**100%**	100%	**50%***	50%*	Investment Holding
China Gold Silver (JV) HK Company Limited	Hong Kong	N/A	HK$100	**100%**	100%	**50%***	50%*	Investment Holding
Dian Guo Industrial Development Limited	Hong Kong	N/A	HK$10,000	**100%**	100%	**100%**	100%	Investment Holding
Dian Guo Investment Development Limited	British Virgin Islands	US$50,000	US$50,000	**100%**	100%	**100%**	100%	Investment Holding
Faithful Master Investments Limited (Note e)	Hong Kong	N/A	HK$1	**100%**	–	**100%**	–	Investment Holding

41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a)		Attributable equity interest held		Principal activities
				2019	2018	2019	2018	
Goldace Development Limited	British Virgin Islands	US$50,000	US$100	100%	100%	100%	100%	Investment holding
Great Tactic Limited	British Virgin Islands	US$50,000	US$1	100%	100%	50%*	50%*	Rental holding
Gold Ocean Jewellery Company Limited	Macau	MOP500,000	MOP500,000	100%	100%	50%*	50%*	Retailing of gold and jewellery products in Macau
Golden Zone International Limited	British Virgin Islands	US$50,000	US$1	100%	100%	50%*	50%*	Investment holding
Jin Song Shu Gold & Jewellery Limited	Hong Kong	N/A	HK$100	100%	100%	100%	100%	Investment Holding
Jin Song Shu Properties Limited	Hong Kong	N/A	HK$100	100%	100%	100%	100%	Investment Holding
Joyrise Ventures Limited	British Virgin Islands	US$50,000	US$1	100%	100%	100%	100%	Investment holding
Prosten Finance Limited	Hong Kong	N/A	HK$10,000	100%	100%	100%	100%	Money Lender
Prosten Wealth Investment Limited	British Virgin Islands	US$50,000	US$50,000	100%	100%	100%	100%	Investment Holding
Rainbow Genins Investments Limited (Note e)	Hong Kong	N/A	HK$1	100%	–	100%	–	Investment Holding
Rise Rich International Limited	Hong Kong	N/A	HK$10,000	100%	100%	50%*	50%*	Trading of jewellery
Special Link Limited	Hong Kong	N/A	HK$1	100%	100%	50%*	50%*	Investment holding
Talent Wonder Limited	British Virgin Islands	US$50,000	US$1	100%	100%	100%	100%	Investment holding
Think Bright Global Limited	British Virgin Islands	US$50,000	US$1	100%	100%	100%	100%	Investment Holding
上海金至尊鑽石有限公司 (Note b)	PRC	RMB1,000,000	RMB1,000,000	100%	100%	50%*	50%*	Sales of jewellery
尊福珠寶(重慶)有限公司 (Note b)	PRC	RMB1,000,000	RMB1,000,000	100%	100%	50%*	50%*	Retailing & franchising operations of gold and jewellery products in Mainland China
深圳勝力供應鏈技術有限公司 (Notes b)	PRC	RMB10,000,000	N/A (Note d)	100%	100%	100%	100%	Investment Holding
深圳市滇國實業有限公司 (Notes b)	PRC	HK$2,000,000	N/A (Note d)	100%	100%	100%	100%	Investment Holding

41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a) 2019	2018	Attributable equity interest held 2019	2018	Principal activities
深圳金銀豐珠寶有限公司 (Note b)	PRC	RMB10,000,000	RMB30,000	**100%**	100%	**100%**	100%	Subcontracting of gold & jewellery
至尊金業(深圳)有限公司 (Note b)	PRC	RMB1,000,000	RMB1,000,000	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery products in Mainland China
重慶金至尊珠寶有限公司 (Note b)	PRC	RMB5,000,000	RMB5,000,000	**100%**	100%	**50%***	50%*	Sale of gold and jewellery
重慶金至尊營銷策劃有限公司 (Note b)	PRC	RMB5,000,000	RMB5,000,000	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery products in Mainland China
重慶金至尊飾品設計有限公司 (Note b)	PRC	RMB5,000,000	RMB5,000,000	**100%**	100%	**50%***	50%*	Design and wholesales of gold and jewellery products
茂名市金松鼠金銀珠寶有限公司 (Note b)	PRC	RMB35,000,000	RMB25,000,000	**100%**	100%	**100%**	100%	Subcontracting of gold and jewellery
金尊影業(無錫)有限公司 (Note e)	PRC	RMB1,000,000	N/A (Note d)	**100%**	–	**100%**	–	Movie production

* The entities are the wholly owned subsidiaries of CGS and regarded as subsidiaries of the Group (note 5).

Notes:

(a) The Company directly holds the interest in Brand New Management Limited and China Gold Silver Group Company Limited. All other interests in subsidiaries shown above are indirectly held by the Company.

(b) These companies established in the PRC are wholly owned foreign enterprises.

(c) 3D-GOLD Jewellery Co. Ltd. established in the PRC is a sino-foreign joint venture company.

(d) Registered capital of the subsidiary was not paid-up as at 30 June 2019.

(e) These companies were incorporated during the year ended 30 June 2019.

41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

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

Name of subsidiary	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
			2019	2018	**2019**	2018	**2019**	2018
					HK$'000	HK$'000	**HK$'000**	HK$'000
CGS	British Virgin Islands	PRC	**50%**	50%	**(49,465)**	(8,622)	**(3,012)**	56,795

Summarised consolidated financial information in respect of CGS and its subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

China Gold Silver Group Company Limited and its subsidiaries

	2019	2018
	HK$'000	HK$'000
Current assets	**2,072,009**	1,915,439
Non-current assets	**233,411**	237,699
Current liabilities	**(2,069,428)**	(1,797,533)
Non-current liabilities	**(242,016)**	(242,016)
Equity attributable to owners of CGS	**(6,024)**	113,589
Revenue	**1,315,169**	1,341,669
Expenses	**(1,414,098)**	(1,358,913)
Loss for the year attributable to owners of CGS	**(98,929)**	(17,244)
Other comprehensive (expense) income for the year attributable to owners of CGS	**(16,571)**	5,973
Total comprehensive expense for the year attributable to owners of CGS	**(115,500)**	(11,271)
Net cash inflow (outflow) from operating activities	**26,236**	(137,661)
Net cash outflow from investing activities	**(226,679)**	(168,605)
Net cash inflow from financing activities	**256,612**	242,711
Net cash inflow (outflow)	**56,169**	(63,555)

42. EVENTS AFTER THE REPORTING PERIOD

The Group had the following events after the end of the reporting period:

(a) On 2 October 2019, the Company received a statutory demand from the non-controlling shareholder of a subsidiary demanding repayment of the loan principal amounting approximately HK$57,080,000, with relevant accrued interest, under section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

Further to the statutory demand on 2 October 2019, the Company received a winding-up petition filed by the non-controlling shareholder of a subsidiary against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region on 24 October 2019 (the "Hong Kong Petition"). Pursuant to the consent summons entered into between the Company and the non-controlling shareholder of a subsidiary dated 30 December 2019, the hearing of Hong Kong Petition has been vacated and all proceedings has been stayed upon the determination of Bermuda Petition (as defined below).

On 28 November 2019, the Company received a winding-up petition filed by the non-controlling shareholder of a subsidiary against the Company in the Supreme Court of Bermuda (the "Supreme Court") (collectively referred to as "Bermuda Petition"). On 17 January 2020, The Supreme Court made an order whereby the hearing for Bermuda Petition be adjourned to 21 February 2020. Application of further adjournment of the hearing for Bermuda Petition is proceeding as at the date these consolidated financial statements are authorised for issue.

The directors of the Company are of the opinion that the Company has sufficient working capital to repay such loan from the non-controlling shareholder of a subsidiary and the relevant accrued interest, after taking into the available facilities and the subsequent issuance of convertible bond as disclosed in note 42(c), and any resulting liability would not materially affect the financial position of the Group.

(b) On 8 December 2019, the Company entered into a loan agreement with Mr. Li Ning, a substantial shareholder of the Company, pursuant to which Mr. Li Ning has agreed to lend an unsecured term loan in the principal amount of HK$59,000,000 for a term of 3 months at an interest rate of 8% per annum. The unsecured term loan was fully settled by February 2020.

(c) On 16 January 2020, the Group issued convertible bonds with a principal amount of HK$121,950,000 to an independent third party, which will be due in year of 2022 and at an interest rate of 4% per annum.

(d) Due to the outbreak of the Novel Coronavirus ("COVID-19") in early 2020 as well as subsequent quarantine measures and travel restrictions imposed by the government authorities in Hong Kong and Mainland China, various retail shops and counters in Hong Kong and Mainland China have temporarily suspended the operations. Even though certain retail shops and counters have resumed their operations, they are still not yet operating at their normal capacity. The Group will closely monitor the development of COVID-19 and ensure resumption of full operation of its retail operations as soon as possible in light of safety and to the practicable extent. With all the increased uncertainties prompted by the outbreak of COVID-19, the impact on the Group's financial positions and operating results could not be reasonably estimated as at the date these consolidated financial statements are authorised for issue.

Financial Summary

The following is a summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 30 June 2019 HK$'000	Year ended 30 June 2018 HK$'000	Year ended 30 June 2017 HK$'000	Year ended 30 June 2016 HK$'000	Year ended 30 June 2015 HK$'000
Turnover	**1,460,953**	1,459,466	1,118,550	1,155,787	1,370,905
Loss before taxation	**(222,091)**	(49,872)	(179,575)	(112,094)	(139,248)
Taxation	**(8,788)**	(18,404)	(7,530)	(8,764)	(20,721)
Loss for the year	**(230,879)**	(68,276)	(187,105)	(120,858)	(159,969)
Total comprehensive expense for the year attributable to owners of the Company	**(196,060)**	(47,654)	(154,821)	(96,297)	(86,921)

ASSETS AND LIABILITIES

	As at 30 June 2019 HK$'000	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000	As at 30 June 2016 HK$'000	As at 30 June 2015 HK$'000
Total assets	**2,348,481**	2,272,694	1,881,191	1,730,734	2,017,732
Total liabilities	**(2,357,628)**	(2,076,148)	(1,663,622)	(1,325,614)	(1,480,004)
Non-controlling interests	**3,012**	(56,795)	(62,430)	(92,072)	(167,929)
Equity attributable to owners of the Company	**(6,135)**	139,751	155,139	313,048	369,799