SOLARTECH

Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

COMPANY SECRETARY

CHAN Kam Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 15, 18/F, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

STOCK CODE

1166

WEBSITE

www.1166hk.com

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISOR

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKS (IN ALPHABETICAL ORDER)

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

FINANCIAL RESULTS

The Board of Directors (the "**Directors**" or "**Board**") of Solartech International Holdings Limited (the "**Company**") announces that for the year ended 30 June 2020 (the "**year under review**"), total turnover of the Company and its subsidiaries (the "**Group**") was approximately HK$288,271,000, representing a decrease of 9.1% as compared to approximately HK$317,134,000 recorded for the corresponding period last year. During the year under review, loss attributable to owners of the Company was approximately HK$142,259,000, representing a decrease of 52.9% as compared to approximately HK$301,963,000 recorded for the corresponding period last year. Loss per share for the year under review was approximately HK$0.06 (Loss per share for 2018/19: HK$0.13).

BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK$288,271,000, representing a decrease of 9.1% as compared to approximately HK$317,134,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK$178,209,000, representing an increase of 1.0% as compared to approximately HK$176,494,000 for the same period of last year and accounted for 61.8% of the Group's total turnover. Turnover of the copper rod business was approximately HK$ 98,045,000, representing a decrease of 23.1% as compared to approximately HK$127,419,000 for the same period of last year and accounted for 34.0% of the Group's total turnover. Turnover of the leasing business was approximately HK$12,017,000, representing an increase of 30.8% as compared to approximately HK$9,187,000 for the same period of last year and accounted for 4.2% of the Group's total turnover. Other business had no turnover for the year under review.

By geographical market segments, turnover from the business in the Americas increased by 40.0% to approximately HK$19,399,000 from approximately HK$13,857,000 for the same period of last year, accounting for 6.7% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 16.4% to approximately HK$216,121,000 from approximately HK$258,571,000 for the same period of last year, accounting for 75.0% of the Group's total turnover. Turnover from the business in Europe increased by 18.0% to approximately HK$38,479,000 from approximately HK$32,598,000 for the same period of last year, accounting for 13.3% of the Group's total turnover. Turnover from the business in other regions increased by 17.9% to approximately HK$14,272,000 from approximately HK$12,108,000 for the same period of last year, accounting for 5.0% of the Group's total turnover.

Cables and Wires

The Group's turnover of the cables and wires business for the year under review was approximately HK$178,209,000, representing an increase of 1.0% as compared to approximately HK$176,494,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the year under review, despite the ongoing COVID-19 pandemic, the Group adjusted its sales strategy in a timely manner and maintained the stability of its wire and cable business. The Group has been closely monitoring the development of the pandemic and has adopted appropriate market strategies.

CHAIRMAN'S STATEMENT

Copper Rod Business

The copper rod business comprises the trading of copper rods and copper wires and their related products. During the year under review, the turnover of the copper rod business was approximately HK$98,045,000, representing a decrease of 23.1% as compared to approximately HK$127,419,000 for the same period of last year. International copper prices dropped during the year under review and the 3-month London Metal Exchange copper price decreased from approximately US$5,900 at the beginning of the year under review to approximately US$5,700 at the end of the year under review. As the COVID-19 pandemic and ongoing Sino-US trade war have casted shadow to economic prospects and resulted in continuous low copper prices, the operating conditions of the copper rod trading business remained challenging. The Group will closely monitor the development of the Sino-US trade war and adopt appropriate strategies accordingly.

Rental Income

Investment properties of the Group mainly comprise industrial properties in Hong Kong and the PRC. During the year under review, rental income was approximately HK$12,017,000, representing an increase of approximately 30.8% as compared to approximately HK$9,187,000 for the same period last year. Such increase was mainly due to the resumption of leasing of the plant in Changping town, Dongguan during the year under review.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. No revenue was recorded for the year under review as these projects did not carry out any production activities. Global demand for commodities such as copper declined due to the impact of the Sino-US trade war and the COVID-19 pandemic on the economy. Upon the Board's deliberation of the above factors and the development direction of the Group, the Group is of opinion that the exploitation of mineral resources could not create synergy effect to the business development of the Group for the time being. Therefore, the Group suspended its mining investment and development in Mongolia temporarily. Apart from the work required to maintain mining rights, no large-scale capital investment was made during the year under review. The Group will closely monitor the development of the above factors and adjust the development strategy of the Group in a timely manner.

Advertising Business

The Group owns 49% of the issued capital of Idea International Holdings Limited ("**Idea**"). During the year under review, China's economy continued to slow down as impacted by the COVID-19 pandemic. Accordingly, corporate customers significantly reduced their budget on advertisements to reduce operating costs. While there had been an overall significant decline in the advertising market of the PRC, the conventional television advertising markets were impacted more severely. Given the rise of new media, and the de-intermediation of brands, the room for development for traditional advertisement companies is seriously cramped. The aforementioned factors had material adverse impact on the advertising business and its prospect during the year under review.

PROSPECTS

The ongoing COVID-19 pandemic has brought uncertainties to the global economic development. The Group will closely monitor the impact of the pandemic on the Group's business and make appropriate and timely adjustments on the Group's development direction to reduce the impact on the Group's business.

廉江市周氏石材有限公司(Lianjiang Zhou's Marble Limited*) ("**Zhou's Marble**"), an indirect non-wholly owned subsidiary of the Group, has commenced construction works during the year under review. However, given the uncertain prospect brought by the COVID-19 pandemic, the Group has temporarily suspended the relevant works to reconsider the development prospect of the project and resources allocation, and will resume the construction when practicable.

During the year under review, the Group has commenced relevant works in respect of certain parcels of land in Dongguan. The Directors are keen to fully utilise the Group's existing land resources by constructing modern plants thereon, with a view to generating new income for the Group.

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

APPRECIATION

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

On behalf of the Board

Chau Lai Him
Chairman and Managing Director

29 September 2020

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAU Lai Him, aged 69, is the chairman and managing director of the Company and the founder of the Group. Mr. Chau has been appointed as an executive director of the Company since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 35 years' experience in the cable and wire industry and extensive experience in the mining industry. Mr. Chau is the father of Mr. Chau Chi Ho, an executive Director of the Company.

Mr. CHAU Chi Ho, aged 38, has been appointed as an executive director since April 2015 and was appointed as the deputy chairman of the Company on 21 June 2019. He is the assistant financial controller of Chau's Electrical Company Limited. He is responsible for accounting and financial management of the subsidiaries of the Group in Hong Kong and Dongguan. He holds a bachelor's degree in Business Administration from the California State Polytechnic University Pomona, United States and has more than 10 years' experience in finance and accounting. He is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company.

Mr. LIU Dong Yang, aged 46, has been appointed as an executive director since January 2010. Mr. Liu is the general manager of Shanghai Chau's Electrical Company Limited and is responsible for its overall operations. He holds a college diploma in international finance from Hunan Finance and Economics College and a bachelor degree in business administration from the distance education college of Renmin University of China. He has more than 20 years' experience in finance and accounting and has more than 15 years' experience in manufacturing management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG KAM Kwong, aged 63, has been appointed as an independent non-executive director of the Company since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics, major in Accounting, from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management. He is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

Mr. LO Wai Ming, aged 68, has been appointed as an independent non-executive director of the Company since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has more than 35 years' experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a fellow of the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 55, has been appointed as an independent non-executive director of the Company since November 2006. He is the general manager of Sunf Pu Technology Co., Ltd, a company incorporated in Taiwan, Republic of China. He has more than 25 years' experience in the cable and wire industry.

COMPANY SECRETARY

Ms. CHAN Kam Yee, Shirley, aged 60, has been appointed as the company secretary of the Company since November 2007. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She has more than 30 years' experience in finance and accounting and more than 25 years' experience in company secretarial affairs.

SENIOR MANAGEMENT

Ms. LAM Sui Lan, Miranda, aged 51, rejoined the group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 20 years' experience in sales and marketing in the field of cable and wire products.

Mr. TSUI Lok Kin, aged 39, joined the group in April 2016 and is the finance manager of Chau's Electrical Co., Ltd and is responsible for accounting and financial management. He holds a bachelor degree in Business from the Monash University, Australia. He is a member of the CPA Australia and has more than 10 years' experience in auditing, finance and accounting.

Mr. LI Kai Yau, aged 42, joined the group in July 2019 and is the deputy general manager of Dongguan Qiaozi Chau's Electrical Co., Ltd ("**Dongguan Qiaozi Chau's**"). He is responsible for the overall operations of Dongguan Qiaozi Chau's. He has more than 10 years' experience in manufacturing management.

Mr. ZHOU Qi Qin, aged 56, joined the group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's. He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 25 years' experience in manufacturing management.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 30 June 2020 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the Group is principally engaged in the cables and wires business, copper rod business, property investment business, mining business and advertising business. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in notes 22, 23 and 24 to the Financial Statements, respectively. An analysis of the revenue from the principal activities during the year ended 30 June 2020 (the "**Financial Year**" or "**the year under review**") is set out in notes 6 and 7 to the Financial Statements. Further discussion and analysis of the operating activities of the Group during the Financial Year, and an indication of likely future developments in the Group's business, as required by Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong), can be found in the sections headed "Chairman's Statement" as set out on pages 3 to 5 of this annual report. Such discussion forms part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk in Mining Business

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

Foreign Exchange Rate Risk

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

Market Risk

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

Interest Rate Risk

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

SIGNIFICANT INVESTMENT

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

CAPITAL STRUCTURE

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

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2020.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

CORPORATE GOVERNANCE

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

We have completed our Environmental, Social and Governance ("**ESG**") report which contains our ESG information in 2019/2020 and the requirements under the Environmental, Social and Governance Reporting Guide of the Listing Rules. The ESG report for the year under review is set out on pages 35 to 51 of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

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

RESULTS

The results of the Group for the year ended 30 June 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 58 and 59 of this annual report.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2020.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 162 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of additions and other movements during the year ended 30 June 2020 in the property, plant and equipment of the Group are set out in note 15 to the Financial Statements.

SHARE CAPITAL

During the year ended 30 June 2020, no share options were exercised and no new ordinary shares of par value of HK$0.01 each ("**Shares**") in the share capital of the Company were issued during the year ended 30 June 2020.

Details of changes in the share capital of the Company during the year ended 30 June 2020 are set out in note 37 to the Financial Statements.

RESERVES

The Company's distributable reserve as at 30 June 2020 was Nil (30 June 2019: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2020 are set out in the consolidated statement of changes in equity on pages 62 and 63 of this annual report.

RELATED PARTY TRANSACTIONS

During the year ended 30 June 2020, related party transactions which do not constitute connected transaction under the Listing Rules was Nil as disclosed in note 44 to the Financial Statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 June 2020.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 30 June 2020, the Group implemented a prudent financial management policy. As at 30 June 2020, the Group had cash and bank balances amounting to approximately HK$64 million (30 June 2019: HK$60 million) and value of net current assets was approximately HK$121 million (30 June 2019: HK$142 million). The Group's gearing ratio as at 30 June 2020 was 0.18 (30 June 2019: 0.15), being a ratio of total borrowings of approximately HK$183 million (30 June 2019: HK$172 million) to shareholders' funds of approximately HK$1,017 million (30 June 2019: HK$1,122 million).

CHARGES ON GROUP ASSETS

As at 30 June 2020, the Group had pledged investment properties with an aggregate net book value of approximately HK$310 million (30 June 2019: HK$241 million) and pledged bank deposit of HK$2 million (30 June 2019: HK$2 million) to secure general banking facilities granted to the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 30 June 2020 are set out in note 34 to the Financial Statements.

CONTINGENT LIABILITIES

As at 30 June 2020, the Company had issued guarantees to the extent of approximately HK$54 million (30 June 2019: HK$50 million) to secure the total loans of approximately HK$54 million (30 June 2019: HK$50 million) granted to its subsidiaries.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

For the year under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2020 and the changes in fair value were charged to the income statement. The net loss from the Derivative Financial Instruments for the year under review was approximately HK$134,000 (2018/19: net loss of HK$1,132,000).

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Chau Lai Him *(Chairman and Managing Director)*
Mr. Chau Chi Ho *(Deputy Chairman)*
Mr. Liu Dong Yang

Independent non-executive Directors:

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

Messrs. Chau Lai Him, Liu Dong Yang and Lo Chao Ming will retire by rotation from office as Directors at the forthcoming annual general meeting and Messrs. Chau Lai Him, Liu Dong Yang and Lo Chao Ming, being eligible, will offer themselves for re-election pursuant to Bye-law 87 of the Bye-laws of the Company.

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

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of Directors and senior management of the Group are set out on pages 6 to 7 to this annual report.

LITIGATION INVOLVING DIRECTORS OF THE COMPANY

In addition, as disclosed in the Company's announcement dated 5 June 2020, legal action has been taken by CS Asia Opportunities Master Fund to join, among other things, Mr. Chau Lai Him and Mr. Chau Chi Ho, the executive Director and the son of Mr. Chau Lai Him, as the 2nd defendant and the 3rd defendant respectively to the legal proceedings in High Court of Hong Kong against one Mr. Zhou ("**Mr. Zhou**") in relation to a purported oral guarantee given by Mr. Chau Lai Him and/or Mr. Chau Chi Ho for the amounts owing by Mr. Zhou who was allegedly to be in breach of, among others, an equity swap transaction confirmation dated 31 May 2018 and entered into between CS Asia Opportunities Master Fund and Mr. Zhou. Mr. Chau Lai Him and/or Mr. Chau Chi Ho have already engaged legal advisers to handle and defend the proceedings.

The Company will closely monitor the status of the proceedings and evaluate its impact on the Company, and will provide shareholders and potential investors with the latest information on the development of the proceedings as and when appropriate.

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

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

CHANGE OF ADDRESS OF BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

SHARE OPTIONS

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

Purpose of the Share Option Scheme	The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible persons thereunder for their contributions and continuing efforts to promote the interests of the Group and to enable the Group to recruit and retain high calibre employees.
Participants	The participants of the Share Option Scheme ("**Participants**") include (a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work fulltime or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the foregoing persons.
Total number of securities available for issue under the Share Option Scheme	237,453,234 Shares (The maximum number of Shares subject to the Existing Scheme Mandate Limit under the Share Option Scheme is 237,453,234, which was approved by an ordinary resolution of the Shareholders at the annual general meeting of the Company held on 6 December 2019), representing 10% of the issued shares as at the date of this report).

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

On 20 March 2019, the Company resolved to grant share options to subscribe for a total of 162,260,000 Shares to 7 directors of the Company and certain eligible persons, subject to acceptances of the grantees, under the Share Option Scheme. The details of the options granted on 20 March 2019 were set out in the announcement of the Company dated 20 March 2019 and the Company's 2019 Annual Report.

On 25 July 2019 ("**Date of Grant**"), the Company resolved to grant share options to subscribe for a total of 53,800,000 Shares to certain eligible persons (the "**Grantees**"), subject to acceptance of the Grantees, under the Share Option Scheme. None of the Grantees is a director, chief executive or substantial shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) of the Company or is an associate (as defined in the Listing Rules) of any of them. The details of the options granted as set out in the announcement of the Company dated 25 July 2019 are, as follows:

Date of grant	25 July 2019 ("**Date of Grant**")
Exercise price of Options granted	HK$0.10 per share, which represents the highest of (i) the closing price of HK$0.061 per share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant; (ii) the average closing price of HK$0.062 per share as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the Date of Grant; and (iii) the nominal value of HK$0.01 per share
Number of Options granted	53,800,000 Options (each Option shall entitle the Grantee to subscribe for one share)
Closing price of the Shares on the Date of Grant	HK$0.061 per share
Validity period of the Options	25 July 2019 to 31 December 2021 (both days inclusive) subject to certain vesting conditions applicable to the relevant Grantees

Details of the share options granted, exercised, cancelled and lapsed during the year under review under the Share Option Scheme are set out below:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK$	Number of Share Options: Outstanding at 1.7.2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 30.6.2020
(A) Share Options Granted on 20 March 2019			Note (1)						
Directors									
Chau Lai Him	20 March 2019	1 April 2019 to 30 June 2021	0.108	23,740,000	–	–	–	–	23,740,000
Zhou Jin Hua (Note 2)	20 March 2019	1 April 2019 to 30 June 2021	0.108	23,740,000	–	–	–	(23,740,000)	–
Liu Dong Yang	20 March 2019	1 April 2019 to 30 June 2021	0.108	23,740,000	–	–	–	–	23,740,000
Chau Chi Ho	20 March 2019	1 April 2019 to 30 June 2021	0.108	14,240,000	–	–	–	–	14,240,000
Chung Kam Kwong	20 March 2019	1 April 2019 to 30 June 2021	0.108	1,000,000	–	–	–	–	1,000,000
Lo Wai Ming	20 March 2019	1 April 2019 to 30 June 2021	0.108	1,000,000	–	–	–	–	1,000,000
Lo Chao Ming	20 March 2019	1 April 2019 to 30 June 2021	0.108	1,000,000	–	–	–	–	1,000,000
Employees	20 March 2019	1 April 2019 to 30 June 2021	0.108	10,800,000	–	–	–	(300,000)	10,500,000
Consultants	20 March 2019	1 April 2019 to 30 June 2021	0.108	63,000,000	–	–	–	–	63,000,000
(B) Share Options Granted on 25 July 2019			Note (3)						
Employees	25 July 2019	2 October 2019 to 31 December 2021	0.100	–	53,800,000	–	–	–	53,800,000
				162,260,000	53,800,000	–	–	(24,040,000)	192,020,000

Notes:

(1) The closing price per share as stated in the Stock Exchange's daily quotation sheet on 20 March 2019 was HK$0.104 and the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding 20 March 2019 was HK$0.108.

(2) Mr. Zhou Jin Hua passed away on 13 June 2019. Pursuant to the Share Options Scheme, the personal representative of Mr. Zhou Jin Hua could exercise the share options within 12 months from the date of the participant's death or such longer period as the Board might determine. As no share options were exercised during the 12 months from 13 June 2019, the 23,740,000 options were lapsed on 13 June 2020.

(3) The closing price per share as stated in the Stock Exchange's daily quotation sheet on 25 July 2019 was HK$0.061 and the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding 25 July 2019 was HK$0.062.

As at 30 June 2020, there were a total of 192,020,000 outstanding share options entitling the grantees thereof to subscribe for a total of 192,020,000 Shares, representing approximately 8.09% of the number of 2,374,532,340 Shares in issue ("**Shares in issue**") of the Company.

As at 30 June 2020, under the refreshed scheme mandate limit which was approved by way of an ordinary resolution of the shareholders at the annual general meeting of the Company held on 6 December 2019, the Company could grant share options for up to 237,453,234 Shares, representing 10% of the Shares in issue pursuant to the Share Option Scheme.

During the year under review, a total of 24,040,000 share options were lapsed and no share options were exercised or cancelled.

The Company has not adopted any new share option scheme during the year ended 30 June 2020.

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

As at 30 June 2020, the interest of the Directors and their associates in the Shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") are, as follows:

Name of Director	Capacity	Number of Shares held in long position	Number of underlying Shares held in long position	Total percentage of the issued share capital of the Company
Chau Lai Him	Beneficial owner	0	23,740,000 (Note 4)	1.00%
Liu Dong Yang	Beneficial owner	0	23,740,000 (Note 4)	1.00%
Chau Chi Ho	Beneficial owner	38,000,000	14,240,000 (Note 4)	2.20%
Chung Kam Kwong	Beneficial owner	0	1,000,000 (Note 4)	0.04%
Lo Wai Ming	Beneficial owner	400,000	1,000,000 (Note 4)	0.06%
Lo Chao Ming	Beneficial owner	300,000	1,000,000 (Note 4)	0.05%

Note:

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

Other than as disclosed above, as at 30 June 2020, none of the Directors nor the Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Directors and Chief Executive of the Company, as at 30 June 2020, there were no persons (other than the Directors or the Chief Executive of the Company) who had a notifiable interest or short position in the shares or underlying shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" of this directors' report, at no time during the year ended 30 June 2020 were rights to acquire benefits by means of acquisition of shares or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 30 June 2020, none of our Directors had any interest in a business which competes, either directly or indirectly, with the business of the Company or the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2020 or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 June 2020.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2020, the five largest customers of the Group together accounted for approximately 39.2% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 63.6% of the Group's total purchases, with the largest customer accounted for approximately 16.6% of the Group's total turnover and the largest supplier accounted for approximately 39.6% of the Group's total purchases during the year.

At no time during the year ended 30 June 2020 did any of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or five largest suppliers.

PERMITTED INDEMNITY

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

EMOLUMENT POLICY

As at 30 June 2020, the Group had approximately 500 employees in Hong Kong, PRC and overseas (30 June 2019: 500). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

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

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

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this directors' report, the Directors are satisfied that the Company has maintained the minimum public float prescribed under the Listing Rules.

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of the Company (the "**2020 AGM**") will be held on Friday, 4 December 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification as shareholders of the Company to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 1 December 2020 to Friday, 4 December 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify as shareholders of the Company to attend and vote at the 2020 AGM, investors are required to lodge all properly completed share transfer documents accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 30 November 2020.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

The consolidated financial statements of the Company for the Financial Year have been audited by Messrs. BDO, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the 2020 Annual General Meeting to re-appoint Messrs. BDO Limited as the auditor of the Company.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2020

CORPORATE GOVERNANCE PRINCIPLES

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

COMPLIANCE WITH THE CODE PROVISIONS

Throughout the financial year ended 30 June 2020, the Company complied with the code provisions of the Code except for the deviations from Code provisions A.2.1, A.4.1 and A.4.3 which are explained below.

Code provision A.2.1

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

During the year ended 30 June 2020, Mr. Chau Lai Him ("**Mr. Chau**") acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for the effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective for the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Code provision A.4.1

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

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

Code provision A.4.3

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

Mr. Chung Kam Kwong has been an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung Kam Kwong ("**Mr. Chung**") retired from office by rotation at the 2019 annual general meeting of the Company held on 6 December 2019 (the "**2019 AGM**") and offered himself for re-election at the 2019 AGM. As an Independent Non-executive Director with extensive experience and knowledge in accounting and financial management as well as in-depth understanding of the Company's operations and business, Mr. Chung has expressed objective views and given independent guidance to the Company over the past years. Mr. Chung continues to demonstrate a firm commitment to his role. The Nomination Committee and the Board considered that the long service of Mr. Chung would not affect his exercise of independent judgment and were satisfied that Mr. Chung has the required character, integrity and experience to continue fulfilling the role of an independent non-executive Director and consider Mr. Chung to be independent. An ordinary resolution was passed at the 2019 AGM to approve the re-appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company.

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

Mr. Lo Chao Ming has been an independent non-executive Director of the Company for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming ("**Mr. Lo**") will retire from office by rotation at the 2020 annual general meeting of the Company held on 4 December 2020 (the "**2020 AGM**") and offered himself for re-election at the 2020 AGM. As an Independent Non-executive Director with extensive experience and knowledge in the cable and wire industry as well as in-depth understanding of the Company's operations and business, Mr. Lo has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board considered that the long service of Mr. Lo would not affect his exercise of independent judgement and were satisfied that Mr. Lo has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director and consider Mr. Lo to be independent. A separate resolution will be proposed for his re-election at the 2020 AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the year ended 30 June 2020, complied with the required standards set out therein.

BOARD OF DIRECTORS

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

The Board currently comprises a total of six Directors, with three executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Chau Chi Ho (Deputy Chairman) and Liu Dong Yang and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Mr. Chau Chi Ho is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company. Save as disclosed herein, there is no financial, business, family or other material/ relevant relationship among members of the Board. More details of the Directors are disclosed on page 6 of this annual report. The Board has published and maintained on its website and on the Stock Exchange's website an updated list of the Directors identifying their role and function. The Board met regularly throughout the year ended 30 June 2020. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the company secretary of the Company (the "**Company Secretary**") to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

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

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

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

During the year ended 30 June 2020, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board; one of the independent non-executive Directors is required to possess appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Each of Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming served as an independent non-executive Director for more than nine years and explanation in connection with such deviation from Code provision A.4.3 is set out in the section headed "Compliance with the Code Provisions" of this report.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

BOARD OPERATION

During the year ended 30 June 2020, the Board held 8 Board meetings. The attendance records of each member of the Board at Board meetings and the attendance records of the respective members of the Board at the audit committee meetings, nomination committee meetings, remuneration committee meetings and the 2019 AGM are set out below:

	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	Board meetings	2019 AGM
Executive Directors					
Chau Lai Him	–	1	–	8	1
Chau Chi Ho	–	–	–	8	1
Liu Dong Yang	–	–	–	7	–
Independent non-executive Directors					
Chung Kam Kwong	4	1	1	6	1
Lo Wai Ming	4	1	1	5	1
Lo Chao Ming	4	1	1	5	–

During the year ended 30 June 2020, the Company did not hold any special general meeting.

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the year ended 30 June 2020, all Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

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

REMUNERATION COMMITTEE

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

During the year ended 30 June 2020, the Remuneration Committee held one meeting and all committee members were present at the meeting. The Remuneration Committee has reviewed the remuneration packages of all executive Directors and senior management, assessed performance of executive Directors and senior management and made recommendations to the Board in connection with the remuneration of the non-executive Directors. Details of the emoluments of the Directors are set out in note 9 to the Financial Statements.

NOMINATION COMMITTEE

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

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

The nomination process is summarised, as follows:

(a) Appointment of new Director

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

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

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

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

(b) Re-election of Director at general meeting

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

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

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

During the year ended 30 June 2020, the Nomination Committee held one meeting and all committee members were present at the meeting. The Nomination Committee has determined the policy for the nomination of Directors, the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and senior management.

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

The Board recommended the re-appointment of the Directors standing for re-election at the 2020 AGM. The Company's circular to be despatched to the Shareholders will contain detailed information of the Directors standing for re-election.

BOARD DIVERSITY POLICY

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

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

AUDITOR'S REMUNERATION

During the year ended 30 June 2020, the remunerations paid and payable to the auditor of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services were HK$1,900,000 and HK$250,000 respectively.

AUDIT COMMITTEE

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

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

During the year ended 30 June 2020, the Audit Committee held 4 meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management and the external auditor, the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 30 June 2020 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 30 June 2020.

DIVIDEND POLICY

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

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

(a) financial results;

(b) cash flow situation;

(c) business conditions and strategies;

(d) future operations and earnings;

(e) capital requirements and expenditure plans;

(f) interests of shareholders;

(g) any restrictions on payment of dividends; and

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

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

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

CORPORATE GOVERNANCE FUNCION

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

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

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

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

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

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

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

During the year ended 30 June 2020, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

SHARE INTERESTS OF SENIOR MANAGEMENT

On 20 March 2019, the Company resolved to grant the share options to subscribe for a total of 162,260,000 shares to the 7 directors of the Company and certain eligible persons under the Share Option Scheme. Among the 162,260,000 options granted, 10,800,000 options were granted to certain members of the senior management of the Company, 300,000 options were lapsed and no options were exercised and cancelled during the year ended 30 June 2020.

On 25 July 2019, the Company resolved to grant the share options to subscribe for a total of 53,800,000 shares to certain eligible persons under the Share Option Scheme. Among the 53,800,000 options granted, 43,000,000 options were granted to certain members of the senior management of the Company and no options were lapsed, exercised and cancelled during the year ended 30 June 2020.

Save for the Options granted, as at 30 June 2020, none of senior management of the Company (whose biographical details are disclosed on page 7 of this annual report) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INVESTOR RELATIONS

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

There was no significant change in the Company's constitutional documents during the year ended 30 June 2020.

COMPANY SECRETARY

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

The Company Secretary reports to the Chairman and the Managing Director, plays an essential role in the relationship between the Company and its Shareholders, assists the Board in discharging its obligations to Shareholders pursuant to the Listing Rules and has great role to play and ensure that the eco-system relating to financial reporting works.

During the year ended 30 June 2020, Ms. Chan has attended relevant professional seminars to update her skills and knowledge and has complied with the Listing Rules to take no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

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

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

PROCEDURES BY WHICH SHAREHOLDERS MAY CONVENE A SPECIAL GENERAL MEETING

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

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

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

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

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

VOTING BY POLL

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and the extent of risks for achieving the Group's strategic objectives and has the overall responsibilities for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Company also has an internal audit function to assist the Audit Committee and the senior management to carry out analysis and independent appraisal of the adequacy and effectiveness of the systems periodically. It should be acknowledged that the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material loss or misstatement.

During the year ended 30 June 2020, the Company engaged an external independent consultant to conduct a review on the effectiveness of the risk management and internal control systems over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and effectiveness of financial reporting and compliance with the Listing Rules. The Board considered that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate. The Board has reached the conclusion that the Group's risk management and internal control systems were adequate and effective.

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Company has prepared its Environmental, Social and Governance Report ("**ESG Report**") for the year ended 30 June 2020 in accordance with the Environmental, Social and Governance ("**ESG**") Reporting Guide (the "**ESG Guide**" or the "**Guide**") as set out in Appendix 27 to the Listing Rules.

The ESG Report of the Company for the year ended 30 June 2020 is set out on pages 35 to 51 of this annual report.

CORPORATE GOVERNANCE REPORT

GENERAL

The Directors acknowledge their responsibility in preparing the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Company and in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 30 June 2020, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 52 to 57 of this annual report.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

(I) Purpose

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

(II) Scope of Report

In response to market changes, the Group has stream-lined its operation and focused on its core business, namely (i) manufacturing and trading of electric cable wire, (ii) trading of copper products, and (iii) property investment. Each business segment of the Group has a different impact on the environment and society. For the purpose of this report, the Group herein will review its core business activities and operations in term of their environmental and social objectives, policies and practices and their impacts and performances.

(III) Basis of Preparation

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

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

(IV) Reporting Period

This report is for the period from 1 July 2019 to 30 June 2020 (the "**Reporting Period**").

(V) Corporate Goals and Visions

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

(VI) ESG Management

Our ESG strategies, management policy and approach are based on compliance with relevant legal and regulatory requirements, the principle of sustainability and maximization of interests and benefits of investors and stakeholders. The Group's visions and goals, and the ESG management policy and approach, same as the last three years ESG reporting, can be summarised in the following statements.

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

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

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

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

(VII) Stakeholders Communications and Materiality

In managing the priorities, the Group continues to ensure its corporate, cable and wires and copper products manufacturing and trading operation are in compliance with their environmental and social responsibilities, and obligations as required by the ESG Guide and the laws and related regulations of the Hong Kong Special Administrative Region ("**HKSAR**") and the PRC. The Group also continues to take into account of the opinions and views of its stakeholders including shareholders, investors, employees, customers, suppliers, service providers, professional advisors, non-governmental organization ("**NGO**") partners and industry associations, and strives to address their concerns. It is the duty of the Managing Director and related frontline managers to constantly communicate with its stakeholders under the following established channels in order to gain insights on ESG material areas and aspects during the Reporting Period.

Stakeholders	Communication Channels
Shareholders/Investors	• General meetings • Information published on websites of the Group and the HKEx • Direct emails or phone enquiries • Dispatched documents
Employees	• Direct meetings with the management executives • Emails • Annual and regular appraisals • Organised functions and activities for the employees
Customers	• Day-to-day communication through frontline staff • Emails • Official websites
Suppliers/service providers/ professional advisors	• Day-to-day communication through frontline staff • Regular review of the signed arrangements by the management
NGO partners	• Volunteer activities • Sponsors and donations
Industry associations	• Participation in annual and regular meetings and events

Through regular communications with stakeholders and reviewing of the information collected, the Group has identified the following ESG material areas and aspects, and has managed them strictly in accordance with the Group's established management structure, process, policies and guidelines and in compliance with the relevant legal and regulatory standards:

- Environmental Protection;
- Climatic Change;
- Employment Fairness;
- Working Condition and Safety;
- Raw Materials Supply and Procurement;
- Quality of Products and Services Especially on Manufactured Wire Cables;
- Ethical Management and Anti-corruption; and
- Community Support.

The ESG issues, performances and the related KPIs during the Reporting Period, especially on the above material areas and aspects, continue to be monitored and managed through the Group's approved management structure and process. With an allocation of adequate resources to implement the approved strategies, policies and measures, the Group has honoured its environmental and social obligations and responsibilities especially on the above material areas and aspects during the Reporting Period, which are summarised below.

MATERIAL AREAS AND ASPECTS AND THEIR PERFORMANCES

(A) Environmental Areas and Aspects

1.1 Environmental Areas Overview and Policies

The Group's main environmental target has always been aiming at environmental protection with sustainable development in relation to its ongoing business activities and operations. The Group has continued to implement policies and taken measures to ensure our activities and operations to be energy, water and resources-saving, preventing pollution, reducing wastes and minimizing the negative impacts on and harmonizing with the environment. During the process of formulating the environmental policies and measures, all activities and operations likely to cause environmental impact or improve general sustainability such as the use of energy, water, raw materials and other natural resources, air emissions, water discharge and waste disposal have been considered. The Group has also actively assumed social responsibilities to reduce pollution through installation of the latest production equipment. The Group has compiled with all the national and local environmental laws, rules and regulations, and been issued with the Pollutant Discharge License of Guangdong Province (License No. 4419602016000053) since November 2017. All of our employees have been made aware of their responsibilities and respective roles in conserving natural resources and protecting the environment.

During the Reporting Period, same as the previous ESG reporting, the Group was not subject to any confirmed cases for breaching environmental legislations or receiving complaints from any government environmental agencies and local communities in relation to emission and waste discharges or other environmental issues that could have an adverse impact on the local environment.

1.2 Environmental Aspects

A1: Air Emissions, Polluted Water and Waste Discharge Aspect

During the Reporting Period, same as the previous reporting period, the types of emissions, wastes and discharges from the Group's activities and operations were mainly air pollutants, indirect greenhouse gas ("**GHG**"), mainly carbon dioxide ("**CO_2**") emissions from electricity consumption, polluted water discharge from factories and office employees daily hygiene consumption, and non-hazardous packaging wastes.

In the coming year, given the global downward economic trend as a result of COVID-19 and the tension between USA and China, the Group's core business – cable wire manufacturing and trading of copper and related products will be seriously affected and we therefore expect our manufacturing and trading operations will slow down with the use of resources such as electricity, water and packaging materials also falling. As such, the air emissions, polluted water and waste discharge should be reduced under normal operation circumstances though we cannot estimate how much will be the extent at present.

(i) Indirect Greenhouse Gas Emissions

Same as the previous reporting period, indirect emission namely GHG-CO_2 through the use of electricity to power plastic extruding and injection machines for manufacturing of electric cable wire and the office remains to be the main source of gas emissions for the Reporting Period.

For the Reporting Period, the Group's total indirect GHG-CO_2 emission generated as a result of electricity consumption amounted to 3,774 tonnes (For the year ending 30 June 2019 ("**2019**")): 3,596 tonnes), which was 4.7% higher than then previous reporting period. Despite a drop in turnover, the slight increase in indirect GHG-CO_2 emission was mainly due to the Group's property construction work which led to an increase in electricity consumption, while the factory, trading and office operations and activities did not record any increase in indirect GHG-CO_2 emission. In the coming year, with a downward operations and activities forecast, the Group therefore targets a zero growth and tries to reduce on our GHG-CO_2 emissions through more stringent control of electricity consumption.

(ii) Direct Hazardous Air Emissions (as a result of gas and fuel consumption)

For our copper rod and wire manufacturing business, the recycling of copper scrap will directly produce GHG-CO_2 emissions, as well as hazardous gases such as nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and particular matters ("**PM**"), and CO_2 through the use of fuel and gas. These direct hazardous gases will be captured and treated in a capsulated collecting system before being discharged through an exhaust stack of 20m in height. During the Reporting Period, the Group did not receive any complaints or warning notice from relevant environmental agencies or local community on our direct hazardous emissions.

(iii) Waste Water Discharge

Same as our previous ESG reporting period, cooling water used in our manufacturing processes is the main source of the Group's waste water discharge. By adopting a close circulating system, most of the cooling water will be reused with minimal wastage or discharge. Waste water is also generated from employees' dormitories, canteens and offices for hygiene uses, whom are constantly reminded to avoid unnecessary wastage.

(iv) Hazardous and Non-Hazardous Wastes

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

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

During the Reporting Period, same as the previous ESG reporting, the amount of hazardous wastes generated from our manufacturing operations was insignificant and posed no material impact to the environment. Non-hazardous wastes are generated from both production operations and non-production operations. Non-hazardous wastes generated from the production processes are mainly packaging materials – wood and paper used in our manufacturing operations. An insignificant amount of non-hazardous materials is also generated from non-production areas such as supporting offices, dormitories and canteens. All such wastes are collected and disposed of by external waste collectors. In the coming year, our policies will continue, and we expect our non-hazardous wastes will continue to be insignificant and handled properly.

During the Reporting Period, same as the previous reporting period, the Group did not have any violation related to hazardous or non-hazardous wastes.

(v) Noise and Light Emissions

During the Reporting Period, same as the previous reporting period, the Group's operations and activities did not generate any noises and light emissions affecting the neighbour and the local community, and no complaints nor warning notices were received.

A2: Use of Resources

The Group continued with its objectives and policies to promote the conservation of resources and has implemented various energy, water and packaging materials-saving measures in order to improve the performance of the conservation of resources and achieve operational optimization while complying with the relevant national laws and regulations. The Group has implemented guidelines and instructions on the efficient use of resources for office administration, factory production and general living of our employees. Our employees have also been constantly reminded to use our resources efficiently to avoid unnecessary wastage.

(i) Energy – mainly electricity

Electricity is used mainly for operating the factory premises and the production equipment and employees living dormitories in China and the administrative office in Hong Kong.

During the Reporting Period, the Group consumed 3,785,487 kWh (2019: 3,606,818 kWh), which was 178,669 kWh or 4.95% higher than the previous reporting period. As explained above, the increase in electricity consumption was mainly due to the Group having carried out a property construction work, while the factory, trading and office operations and activities did not record any increase in electricity consumption.

To save energy and costs, the Group has continued with its energy saving measures to supervise and to encourage employees to use resources efficiently and in an environmentally-friendly manner such as:

– Lights and equipment must be turned off if not in use;

– Duty employees will inspect the factories and offices to ensure all unused equipment and systems will be turned off before factories and office closing;

– Maintaining work environments at pre-determined and energy-efficient temperatures; and

– Encouraging the use of natural ventilation instead of air-conditioning whenever the conditions allow.

The Group continues to invest in energy-saving tools and equipment such as LED lights.

In the coming year, as explained before, the Group expects a downturn on its operations and activities and aims at a zero growth on its electricity consumption under a normal operational environment and continuing of its stringent control of electricity consumption.

(ii) Water

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

Local city municipal supply is the only viable water source available to the Group as far as our production processes and household uses are concerned.

During the Reporting Period, a total of 103,693 m^3 (2019: 105,062 m^3) of water was consumed, representing a small decrease of 1,369 m^3 or -1.3% over the last reporting period. Even with the increase in the total number of employees during the Reporting period, we were able to lower our water consumption, owing to our employees' conscientiousness towards the usage of water. In the coming year, the Group will continue with its effort to save water consumption and targets to reduce general hygiene uses by 1–3% on the same number of employees.

(iii) Packaging Paper and Plastic Raw Materials

For packaging paper and plastic raw materials, the Group has continued the policy of giving priority to the use of recycled papers and plastic wraps. Any used packaging materials and scraps will be collected and sold as used and scrap materials to recycling and waste operators. While in our offices and factories, the Group has continued to encourage the office staff and factory workers to reduce paper consumption as much as possible through the use of electronic tools such as emails, messages and universal serial bus storage to replace paper files, sketches and letters; to print paper on both sides, and to use only recycled paper. During the Reporting Period, the Group did not find any abnormal or excessive consumption of printing paper and packaging materials, and the Group expects a proportionate reduction in their consumption in response to a possible downturn in the coming year.

A3: Environment and Natural Resources

Continuing the vision and policies of working towards a responsible corporation, the Group is committed to conserving resources in order to reduce its impact on the environment as well as saving operational costs. As reviewed above and reported in previous ESG reporting, the Group's core operations and activities mainly use the natural resources of electricity, water, packaging papers and plastic raw materials, which will have impacts on the environment if they are not properly managed. The Group has complied with all national and local environmental laws as well as industrial environmental standards, and has cooperated with the local government agencies and supported environmental organizations' activities to build a "green" environment. At the same time, the Group has exercised due diligence and care in setting up its management structure and process, rules and regulations to ensure that natural resources are correctly and efficiently used without wastage or destruction. On the implemented measures as laid down in our various operation rules, regulations and manuals, the focuses are to reduce, reuse and recycle those natural resources as far as possible. The Group has also implemented green purchasing practices and best practice technologies to conserve natural resources where applicable.

As a summary, during the Reporting Period, same as the last few reporting periods, the Group has taken a totally responsible approach to implement policies and measures on electricity, water, packaging paper, raw plastic materials consumption, GHG-CO_2 emissions, waste water and general waste discharges. The Group was not subjected to any warnings, fines or violation notices, and was in compliance with all applicable environmental protection laws and regulations in all material aspects since the first ESG reporting. The Group will continue to explore new avenues and means to accomplish our goals of conserving natural resources and protecting the environment.

A4: Climate Change

Climate change is mainly caused by the release of CO_2 into the atmosphere, which is directly and indirectly the result of the use of fossil fuels for electricity generation and fuels for transportation. As the world transitions to a lower-carbon sustainable economy, there are areas that our Group can contribute to this.

As listed in the above stakeholders' communication and materials areas and aspects section, the Group is fully aware that stakeholders expect us to be managing and mitigating climate change risks. In light with the current global environmental conditions and the Group's operations and activities, the Board identifies that global warming and reduction on electricity, water and paper packaging material will be the most important and immediate areas that may impact the Group and the environment. These three areas will not only affect the operation costs of the Group, they will also contribute directly or indirectly on the global environmental conditions, and the Group should tackle them for the purposes to combat climate change and reduce the operation costs in the future.

(i) Indirect GHG-CO_2 Emission

As explained above, during the Reporting Period, the Group indirectly emitted GHG-CO_2 through electricity consumption for its operations and production. The Group has already implemented extensive policies and measures to reduce the use of electricity throughout the factories, employee dormitories and office. With a reduction in electricity consumption, less energy will be required, and less fossil or crude oil fuel will be used by the power plants, and less GHG-CO_2 will be generated accordingly. The Group will also continue to invest in more energy efficient processes and equipment in the near future.

(ii) Water

As explained above, during the Reporting Period, the Group has already taken measures to supervise and encourage employees to use water more efficiently in order to reduce its consumption for the purpose of conserving water, which will possibly bring back a balance to the global atmospheric condition.

(iii) Paper packaging Materials

As explained above, during the Reporting Period, the Group has already implemented policies and measures to reduce papers and to use recycled papers as far as possible, which will directly reduce the cutting of trees. The Group at the same time has supported low-carbon activities and to re-grow the forest, which is the main tool to reduce carbon directly to curb global warming.

For the Reporting Period, the Group's business operations and activities did not lead to any events or issues that might impact the climate or result in the change of the climate significantly. The Group has already taken measures to lower indirect GHG-CO_2 emission, and to reduce water and paper and paper-related packaging materials usage with a wish to curb global warming. The Group will continue with such policies and measures for the coming year.

(B) Social Areas and Aspects

2.1 Social Areas Overview

As stated in the section *"Corporate Goals and Visions"*, the Group is committed to conducting business in a socially responsible way and strives to build mutually beneficial relationships with our stakeholders, including our employees, customers, suppliers, communities, as well as the public and governing authorities. On the formulation of ESG strategies and policies, the Group has already taken into account of its short and long-term corporate development goals, the benefits to the stakeholders and sustainable development of the society and the environment.

Pursuant to the ESG Reporting Guide, social areas and aspects include employment and labour practices, operation practices and community investment, and the Group's performances in these areas are reported below:

2.2 Employment and Labour Practices Areas and Aspects

The Group always treasures and regards its employees as one of the most valuable assets for its sustainable development and growth. It has therefore committed to strictly complying at all times with all the relevant laws, rules and regulations on employment, i.e. the Labour Laws of PRC and Employment Ordinance ("**Employment Ordinance**") of Hong Kong (Chapter 57 of the Laws of Hong Kong), and providing a safe and healthy working environment, offering equal opportunities to all employees on recruitment, promotion, compensation and benefits. It has strengthened its human resources management with employees-oriented policies to promote motivation and innovation, and to protect the interests and legal rights of the employees, and ultimately to achieve a positive, constructive and harmonious relationship with its employees.

The Human Resources Department has been delegated with the responsibilities to implement the employment and related policies, rules and regulations, which are summarised and laid out in its employee handbook and employment contracts.

B1: Employment

Since the Group's establishment, it has continued with its employee-oriented employment policies and practices throughout, which include the following main features:

- Owing to the existence of operation bases and activities in different regions, the Group has set up the human resources department headquarter in HKSAR, whose responsibilities are for reviewing and approving the Group's human resources policies, and employment terms and conditions, while the regional offices' human resources managers implement the approved policies and measures in compliance with the local employment laws, rules, regulations and practices;

- The regional human resources managers report to the regional GMs and have been assigned with the responsibility to implement the Group's human resources strategies and policies, and to ensure all the statutory obligations of the Group have been fulfilled and are complied with;

- Adopt a humanistic and equitable human resources policies with equal opportunities for all without discrimination on hiring, promotion, remuneration, benefits, training, dismissal and other aspects of employment;

- All employees are required to sign employment contracts with the Group and/or its subsidiaries, and will receive an employee handbook, listed out all the employment terms and conditions, benefits and obligations including but not limited to, appointment, termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissals, health, general safety and welfares etc.;

- In accordance with the requirements of the national laws of PRC such as Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on Housing Provident Funds (住房公積金管理條), and the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance ("**MPFSO**") (Chapter 485 of the Laws of Hong Kong) of Hong Kong, the Group provides and maintains statutory benefits to all qualified employees, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays;

- On recruitment, the Group has adopted a mixed policy of external recruitment and internal promotion for vacancies. All vacancies are open to all with equal opportunities, no discrimination on sex, religion, gender, age and disability, and to be selected on qualifications skill and competency basis;

- Employment of child labour and forced labour is strictly forbidden;

- Employees' remunerations are determined with reference to the prevailing market level in line with their competency, qualifications, experience and job position. Discretionary bonuses of such amounts and at such intervals for employees will be rewarded at the discretion of the top management with consideration on performance; and

- Provide a safe and pleasant working environment to our employees.

During the Reporting Period, same as the previous reporting periods, the Group honored all its obligations to employees including the payment of salaries and wages, holidays and leaves, compensations, insurances and health benefits. There were no wage disputes or complaints, breaches of the labour laws or labour disputes recorded.

Pursuant to the ESG Guide, the Group's employment situation for the year ended at 30 June 2020 is analyzed and summarised in below:

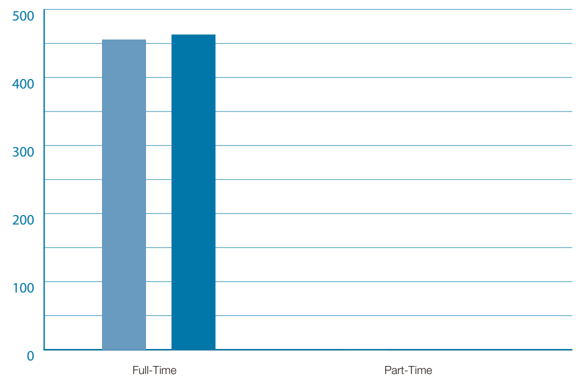

FIgure 1: Number of Employees by Employment Type

2019 2020

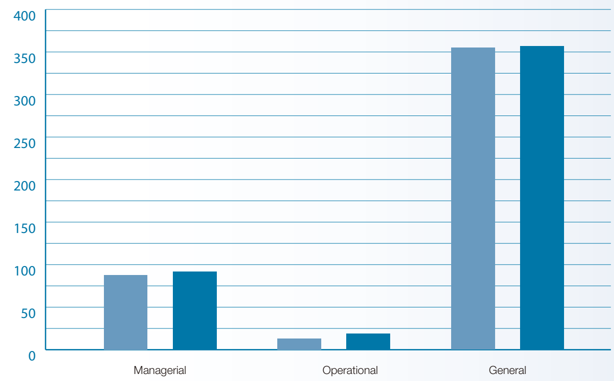

Figure 3: Number of Employees by Employment Category

2019 2020

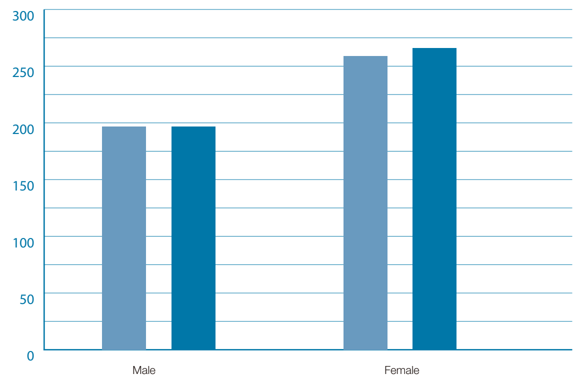

Figure 2: Number of Employees by Gender

2019 2020

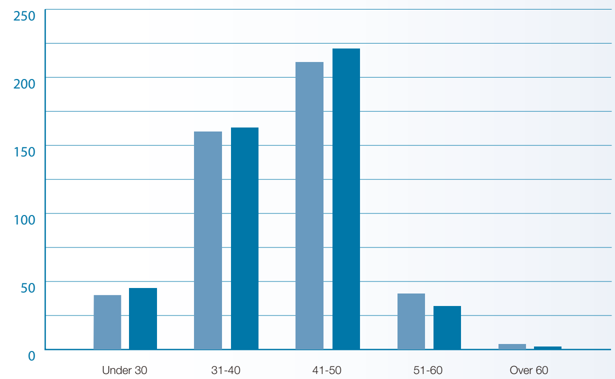

Figure 4: Number of Employees by Age

2019 2020

From the above information, it can be summarised that the Group has a stable work force, a diverse gender amongst employees and a high number of experienced staffs.

The low employee turnover rate justifies that our employment policies and measures are fair and reasonable, and no labor disputes were recorded both internally and externally during the Reporting Period.

During the Reporting Period, same as the previous reporting period, the Group did not have any incidents of non-compliance with relevant employment laws and regulations nor any labour disputes. The total work force numbers in the last reporting periods confirmed a stable force and a low employee turnover rate, which evidenced that the Group has fair and acceptable employment policies and measures.

B2: Health and Safety

Given the nature of the Group's business in the manufacturing of metal products, and being a responsible employer, the Group emphasises that the health and safety of employees are its primary concern. The Group has implemented and continued with its employee-oriented human resources policies, and at all times provides a safe and healthy working environment in its office, especially its factories to prevent employees from injuries and accidents, and to minimise the risk of any occupational hazards. The Group has taken the following health and safety measures to protect its employees:

- Ensures all the safety, medical and hygiene equipment are adequately in place and are operating efficiently, passing inspections and complying with all the safety and hygiene rules and regulations;

- Requires all employees to strictly comply with the health and safety policies, rules and regulations, including the Occupational Safety and Health Ordinance ("**OSHO**") (Chapter 509 of the Laws of Hong Kong) and Employees' Compensation Ordinance ("**ECO**") (Chapter 282 of the Laws of Hong Kong) of Hong Kong, and the Labour Laws of the PRC and has constantly reminded the employees to perform their tasks under safety conditions;

- Takes occupational health and safety as one of our prime responsibilities, and constantly improves the occupational safety and health management system in order to reduce risks and create a safe working environment;

- In-house rules stipulate that whenever injuries or accidents occur, regardless of minor or serious incident, the employees must notify the superiors immediately who will then take appropriate measures to ensure safety is not compromised, and in all circumstance to be promptly and properly dealt with and reported in accordance with the local or national laws as appropriate;

- The Group has assigned safety officers to regularly inspect and to educate employees on taking precautionary measures to ensure that the workplace is safe. Regular health and safety trainings have been provided to employees to assist them to perform their jobs safely; and

- Insures all qualified employees in both the PRC and Hong Kong with medical insurance in accordance with the statutory requirements of the two places.

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

During the Reporting Period, same as the previous reporting periods, the Group has equipped its factory operations with all the required safety equipment and facilities and there was no adverse comment by the law enforcing authorities during their inspections and no prosecution case was reported. Regarding work injury and accident, there were 3 (2019: 2) light injury cases of bruising and no serious injuries, or incidents of non-compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards which could have significant impact on the production operations or businesses of the Group. The injuries had been well taken care of immediately after their occurrence, and no disputes or claims arose thereafter. The low injury and accident rates during the Reporting Period as well as the previous reporting periods reconfirms that the Group's health and safety policies and measures and its continuous attention to set up a safe environment was effective.

B3: Development and Training

As aforementioned, the Group values its employees as one of its most valuable assets, it has always supported means to enhance employees' value by regularly providing them with development and training programs in terms of skills and job knowledge, plant operation and production know-how at various levels, so that they are able to perform their required job duties in a competent and capable manner without risk to their health and safety or damage to plants and operations.

Employees are encouraged to engage in self-development by taking external training programs and seminars which are sponsored by the Group in part or whole. Broadly speaking, the Group has continuously and regularly provided 2 types of training:

(i) Induction and on-the-job training – Induction training is provided to new recruits to enhance their understanding of the Group's history, organization structure, work environment, regulations, responsibilities and duties, working skills, safety operation, and career development plan, etc. While on-the-job training is provided to permanent employees with an aim to improve their career development and skills for performing their required job duties in a more competent and capable manner and without risking their health and safety.

(ii) External specific skills and knowledge training – it is provided normally to middle and senior management executives aiming at enhancing their technical, management and professional skills and ability.

During the Reporting Period, same as the previous reporting period, all the employees, totaled at 462 (2019: 459), received a total of 2,496 (2019: 2,622) training hours on various internal programs. With such a high rate of training especially on job induction and safety, the Group therefore experienced a very low rate of injuries and accidents.

B4: Labor Standards

During the Reporting Period, the Group continued with its cornerstone policy of strict compliance with the Labour Laws of the PRC and the Employment Ordinance, and adopted their respective standards as the minimum standards on employment and labour protection and welfare. The Group adhered to the laws of the PRC and Hong Kong as well as the local market practices on recruitment, dismissal, promotion, leave, holidays, benefits as well as equal employment opportunities to all sex, age, race and religion. The Group acted strongly against and banned all child, illegal and forced labour.

All job applicants are required to submit their credentials such as academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment. As a legal obligation and for better management, the Group has kept the private files of the employees on confidential basis and in safe custody for record, future reference and government inspection.

The human resources department is charged with the responsibility of overseeing labor compliance. Heads of the factories are also responsible for ensuring that all labor protection and welfare obligations of their operations are complied with and any breaches of statutory compliance are brought to the attention of the Group's Managing Director in Hong Kong.

During the Reporting Period, same as the previous reporting periods, the Group honored all of its obligations towards employees and no disputes or litigations on labour matters were reported. There was also no child and forced labour case reported. The Group is confident to maintain this good track record for the coming year.

2.3 Operation Practices Areas and Aspects

B5. Supply Chain Management

Supply chain management in the ESG Guide mainly refers to the management of sourcing and procurement. The Group's main purchases for the office and the factories have not changed much for years which include routine stationery supplies and utensils for the office, and raw materials such as copper sheet and wire, rubber, plastic, packaging materials, replacement spare parts, etc., for factories.

During the Reporting Period, the Group continued to implement detailed supply and purchase management system adopting different approval authorities at different hierarchy levels of the management team. The Purchase Manager, Finance Director and Managing Director form the execution and supervision purchase chain at different monetary levels. Each level is accountable to the one above on their monetary limits they are authorised to purchase. All capital expenditure purchases have to be authorised and approved by the Hong Kong headquarter. All purchase transactions must submit to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks.

To ensure a fair and equitable, quality-assured and cost-efficient supply chain, the Group has implemented clear procurement management rules and guidelines and procedures with respect to procurement including quality control, warehousing, payment and documentation approval process, and methods of payment. The Group selects suppliers based on a set of criteria, which includes (i) ability to meet specification and standards, (ii) products and services quality, (iii) pricing of the products and services, (iv) delivery reliability, and (v) track records of the suppliers' business relationships with us and others in the industry and their committed compliance to laws, rules and regulations. The Group maintains a list of approved suppliers and will invite 2 to 3 suppliers to tender for purchases for a reasonable order size in order to obtain the optimal offer and to eliminate any chance of malpractice.

During the Reporting Period, same as the previous reporting period, owing to the special nature of our raw materials – copper sheets and wires, rubber and plastic, the Group had to purchase from both local and overseas suppliers, whomever offered the best prices. The total number of suppliers was 210 with 178 or 84.8% and 32 or 15.2% local and overseas suppliers respectively. The purchase value from local suppliers dropped slightly from 87.8% in 2019 to 84.5% in the Reporting Period. All general purchases are placed with reliable local suppliers as far as possible so as to reduce carbon footprint and to support the local economy. When items or services are purchased for special use, the purchasing officers must ensure that the supply of services or goods are fit for purpose and meets our specification before price becomes a consideration. Owing to effective management, the Group did not experience any interruption of supplies or failure to secure sufficient quantities of supplies on time that had any material adverse impact on our business. The Group reckons that its purchase policies and pattern will likely to be continued in the coming year.

B6: Product Responsibilities

The ESG Guide stipulates that there are four major sub-aspects on product responsibilities: product quality and safety, customer services and complaints handling, intellectual property rights, and privacy, which the Group's internal control process, employee rules and regulations and contracts already have clear guidelines and rules to deal with.

(i) Product quality and safety

The Group has continued with its quality guarantee policy and taken all reasonable steps to ensure that the goods produced are safe and harmless to its consumers, meeting all agreed or legally required standards for consumers health and safety, including health warnings, product safety and information labels. It is because the Group firmly believes that with a high quality and safety standard of its products, it can retain the customers and expand market shares. The Group has obtained The Quality Management System (ISO 9001:2000) since 2003 which ensures that its products pass through strict quality control processes and meet with approved quality standards. The Group has trained Quality Controllers to examine the quality and safety of its products from the first stage of raw material purchases, to regularly inspect goods during the production and sale processes and ensure that the processes are in total compliance with both internal and external quality and safety assurance codes. The Group has also committed to investing in plant and equipment for high end production technology, quality and safety to maintain its competitive edge. The Group has also fostered close relationships with its business peers to keep abreast of the latest product development and knowledge.

During the Reporting Period, the Group's cable wire sales recorded about 1% (2019: 3%) product returned for quality reason, which is low by industry standards. No warnings or below quality and safety comments from the Consumer Councils, marketing agencies or relevant government authorities on the quality and safety of its cable wire products was ever received. The Group has the confidence to continue the quality control processes to ensure its products will always in the highest quality and safety standard in the coming years.

(ii) Customer Services and Complaints Handling

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

During the Reporting Period, same as the previous reporting periods, the established complaints handling routes and channels have functioned well and the Group did not experience serious sales complaints which led to disruption of its manufacturing processes.

(iii) Privacy

As reported in the previous reporting, the Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operating status and financial positions, commercial terms of contracts, general background information, etc. These types of information are extremely sensitive and important, and by law, have to be cautiously safeguarded and protected. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorised access, use and disclosure through a variety of security technologies and procedures. All employees are trained to handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law. The Group has incorporated the confidential clause into the staff handbook and employment contract, under which all employees are obligated to follow. Legal action will be taken against any violation.

During the Reporting Period, same as the previous reporting period, the Group did not receive any complaint on any breach of privacy or leakage of information. Given its existing internal control and technical control process, the Group is confident that confidential information will not be accessed and leaked out easily.

(iv) Intellectual Property Rights

Apart from the Group's company logo and name, which has been registered with the China State Administration for Industry and Commerce, the Group's business operation involves no intellectual property right issues. The Group however respects intellectual property rights and has practiced in its daily operation such as its installation of original software in its computers to avoid vulnerabilities and legal disputes arising from software copyright.

During the Reporting Period, and same as previous few years, the Group did not receive any reports or cases of any intellectual property rights infringement.

B7: Anti-Corruption

As disclosed in the above introduction section, the prevention of bribery, extortion, fraud, and money laundering is a material aspect to all the stakeholders. The Group is well aware of the importance of honesty, integrity and fairness in its business operations and has therefore placed an anti-corruption policy which involves comprehensive internal control system comprising corruption reporting and investigation procedures, and adopts a zero-tolerance approach to those corruptive and fraud crimes since establishment. In daily operations, the directors, management and staff must comply with related government laws and regulations on prevention of bribery, extortion, fraud and money laundering. With the implementation of clear policies and well-structured processes on purchases, sales, operations and finances, and the adoption of a high code of conduct especially in our senior management, all employees not only have responsibility to understand but also comply with the above regulations and any person, who violates the regulations, will be subject to disciplinary sanction. Employees at all levels have been constantly reminded of and advised in meetings and documents, such as the staff handbooks and Employment Contracts, on anti-corruption, conflict of interest and giving and taking of interests. Transactions in large monetary sums are processed through bank transactions which require authorised signatories of the appropriate levels depending on the amount involved. Checks and balances have been installed in the Group for money transaction activities and are considered effective and adequate.

Since the commencement of the ESG reporting and during the Reporting Period, there were no complaints of corruption against the Group or its staff, and the Group is confident to achieve a similar clean result in the future.

B8: Community Investment

The Group fully understands its social obligations and is willing to contribute back to the local community, society and globe whenever possible. Despite a significant downturn on its business owing to COVID-19 pandemic and the tension between USA and China, the Group still maintained its workforce without any employee lay-off in its office and factories. On the contrary, up to the last day of the Reporting Period, the Group employed 6 more workers than the previous reporting period. The Group continued to provide 462 jobs, mostly to the low-skilled village and city workers, and trainings to enhance their skills. The Group supported the local communities by prioritising its purchases with the local suppliers and sponsoring the employees to participate in the volunteering and charity events. Finally, the Group has implemented measures with an objective to reduce hazardous and non-hazardous air emissions and polluted water and wastes discharges.

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

OPINION

We have audited the consolidated financial statements of Solartech International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 58 to 160, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment of intangible asset – mining right

Refer to Note 19 to the consolidated financial statements.

Key Audit Matter

As at 30 June 2020, the carrying value of the Group's mining right included in intangible assets, before impairment, amounted to HK$456,697,000. There was a further delay in the Group's mining plan in the current year which indicates there may be a need for a write-down of the carrying amount of the Group's mining right.

Following a detailed impairment review of the Group's cash-generating unit related to the mining right (the "**Mining CGU**"), management has estimated that an additional impairment loss on mining right of HK$29,348,000 for the year ended 30 June 2020.

This conclusion was based on a calculation of recoverable amount that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

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

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

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

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

Impairment of interests in associates and interests in joint ventures

Refer to Note 23 and Note 24 in the consolidated financial statements.

Key Audit Matter

As at 30 June 2020, the carrying values of the Group's interests in associates and joint ventures, before impairment, amounted to HK$51,763,000 and HK$12,379,000 respectively. The Group is exposed to risk of impairment of its equity accounted associates and joint ventures.

Following the detailed impairment reviews of the Group's interests in the associates and joint ventures, the recoverable amounts exceeded the carrying amounts of the respective associates; and the recoverable amount approximates the carrying amount of the joint ventures. Accordingly, management has concluded that there were impairment losses on interests in associates and joint ventures of HK$18,638,000 and HK$ Nil respectively.

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

Our response:

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

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

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

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

Impairment assessment of property, plant and equipment

Refer to Note 15 in the consolidated financial statements.

Key Audit Matter

As at 30 June 2020, the carrying value of the Group's property, plant and equipment, before impairment assessment, amounted to HK$28,373,000. The Group sustained a loss in its copper rod business for the current year; and as at 30 June 2020, the market capitalisation of the Group fell below its net asset value. Management considered that these were indicators of impairment of the Group's property, plant and equipment.

Following a detailed impairment review of the Group's cash-generating units ("**CGUs**") during the current year, the recoverable amounts of the CGUs exceeded their carrying amounts and therefore management considered that no impairment loss in respect of the Group's property, plant and equipment is necessary.

This conclusion was based on estimation of the recoverable amounts of the respective CGUs, where appropriate, that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

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

(i) Evaluating and checking the composition of the Group's future cash flow forecasts in segments business, and the posses by which they were drawn up, including testing the recoverable amount calculations and comparing them to the latest approved budgets;

(ii) Checking the key assumptions including by comparing the current year actual results with 2020 figures included in the prior year forecast, by reference to future plans and by performing independent market analysis; and

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

BDO Limited
Certified Public Accountants

Chan Tsz Hung
Practising Certificate Number: P06693

Hong Kong, 29 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	6 and 7	288,271	317,134
Cost of sales		(256,238)	(285,513)
Gross profit		32,033	31,621
Interest income		13,673	13,263
Other income and gains	12	1,819	10,952
General and administrative expenses		(93,312)	(138,041)
Selling and distribution expenses		(8,213)	(6,966)
Finance costs	10	(14,371)	(13,449)
Change in fair value of derivative financial instruments, net	29	(134)	(1,132)
Change in fair value of investment properties, net	16	371	41,618
Change in fair value and gain or loss on disposal of financial assets at fair value through profit or loss, net	28	(10,850)	(32,085)
Reversal of expected credit loss/(expected credit loss) recognised, net	26	11,678	(3,725)
Impairment loss on intangible assets	19	(29,348)	(143,351)
Revaluation deficit of right-of-use assets	18	(25,202)	–
Share of results of associates and impairment loss on interests in associates	23	(18,926)	(39,471)
Share of results of joint ventures	24	(4,048)	(16,525)
Loss before taxation	8	(144,830)	(297,291)
Income tax credit/(expenses)	11	1,111	(5,545)
Loss for the year		(143,719)	(302,836)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Surplus on transfer from right-of-use assets and property, plant and equipment to investment properties, net of deferred tax	15 and 18	57,421	–
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(19,917)	9,471
Share of other comprehensive income of associates	23	(187)	(1,369)
Share of other comprehensive income of joint ventures	24	20	141
Other comprehensive income for the year		37,337	8,243
Total comprehensive income for the year		(106,382)	(294,593)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 HK$'000	2019 HK$'000
Loss attributable to:			
Owners of the Company		**(142,259)**	(301,963)
Non-controlling interests		**(1,460)**	(873)
		(143,719)	(302,836)
Total comprehensive income attributable to:			
Owners of the Company		**(106,100)**	(294,089)
Non-controlling interests		**(282)**	(504)
		(106,382)	(294,593)
Loss per share:	14		
– Basic and diluted (HK$)		**(0.060)**	(0.127)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	15	**28,373**	58,543
Investment properties	16	**515,356**	321,160
Prepaid lease payments for land	17	**–**	100,354
Right-of-use assets	18	**8,460**	–
Intangible assets	19	**427,349**	456,723
Prepayments	20	**3,680**	34,134
Other assets	21	**–**	200
Interests in associates	23	**33,125**	52,238
Interests in joint ventures	24	**12,379**	16,407
Other receivables	26	**11,614**	–
Total non-current assets		**1,040,336**	1,039,759
Current assets			
Inventories	25	**23,354**	22,685
Debtors, other loans and receivables, deposits and prepayments	26	**241,778**	229,449
Bills receivable	27	**20**	4,261
Financial assets at fair value through profit or loss	28	**8,768**	26,699
Derivative financial assets	29	**–**	24
Prepaid lease payments for land	17	**–**	2,853
Pledged bank deposits	30	**2,191**	2,274
Bank balances held on behalf of brokerage clients	31	**28**	46
Bank balances and cash	31	**63,634**	59,992
		339,773	348,283
Assets classified as held for sale	49	**–**	13,119
Total current assets		**339,773**	361,402
Current liabilities			
Creditors, other advances and accrued charges	33	**86,404**	61,399
Borrowings	34	**105,344**	158,090
Promissory notes	35	**8,251**	–
Lease liabilities	18	**2,894**	–
Provision for litigation	48	**15,348**	–
Taxation		**47**	72
Total current liabilities		**218,288**	219,561
Net current assets		**121,485**	141,841
Total assets less current liabilities		**1,161,821**	1,181,600

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Other payables and advances	33	**14,569**	–
Borrowings	34	**69,294**	–
Promissory notes	35	**–**	14,004
Deferred tax liabilities	36	**69,092**	53,575
Total non-current liabilities		**152,955**	67,579
Total net assets		**1,008,866**	1,114,021
EQUITY			
Capital and reserves			
Share capital	37	**23,745**	23,745
Reserves		**993,626**	1,098,499
Equity attributable to owners of the Company		**1,017,371**	1,122,244
Non-controlling interests	41	**(8,505)**	(8,223)
Total equity		**1,008,866**	1,114,021

The consolidated financial statements on pages 58 to 160 were approved and authorised for issue by the Board of Directors on 29 September 2020 and are signed on its behalf by:

Chau Lai Him
DIRECTOR

Chau Chi Ho
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital HK$'000 (Note 37)	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000 (Note 38)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2018	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,136,152)	1,404,056	(8,678)	1,395,378
Loss for the year	–	–	–	–	–	–	–	(301,963)	(301,963)	(873)	(302,836)
Exchange difference on translation of foreign operations	–	–	–	9,102	–	–	–	–	9,102	369	9,471
Share of other comprehensive income of associates	–	–	–	(1,369)	–	–	–	–	(1,369)	–	(1,369)
Share of other comprehensive income of joint ventures	–	–	–	141	–	–	–	–	141	–	141
Total comprehensive income for the year	–	–	–	7,874	–	–	–	(301,963)	(294,089)	(504)	(294,593)
Share-based payment by granting share options	–	–	–	–	–	–	8,414	–	8,414	–	8,414
Exercise of share options	95	4,809	–	–	–	–	(1,532)	–	3,372	–	3,372
Lapse of share options	–	–	–	–	–	–	(11,975)	11,975	–	–	–
Transfer to statutory reserve	–	–	–	–	12	–	–	(12)	–	–	–
Changes in non-controlling interests without change in control	–	–	–	–	–	–	–	491	491	959	1,450
At 30 June 2019	23,745	1,828,432	612,360	3,601	4,878	66,475	8,414	(1,425,661)	1,122,244	(8,223)	1,114,021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital HK$'000 (Note 37)	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000 (Note 38)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2019 as originally presented (audited)	23,745	1,828,432	612,360	3,601	4,878	66,475	8,414	(1,425,661)	1,122,244	(8,223)	1,114,021
Initial application of HKFRS 16 (Note 2)	–	–	–	–	–	–	–	(291)	(291)	–	(291)
At 1 July 2019 as restated	23,745	1,828,432	612,360	3,601	4,878	66,475	8,414	(1,425,952)	1,121,953	(8,223)	1,113,730
Loss for the year	–	–	–	–	–	–	–	(142,259)	(142,259)	(1,460)	(143,719)
Surplus on transfer from right-of-use assets and property, plant and equipment to investment properties, net of deferred tax (Notes 15 and 18)	–	–	–	–	–	56,758	–	–	56,758	663	57,421
Exchange difference on translation of foreign operations	–	–	–	(20,432)	–	–	–	–	(20,432)	515	(19,917)
Share of other comprehensive income of associates	–	–	–	(187)	–	–	–	–	(187)	–	(187)
Share of other comprehensive income of joint ventures	–	–	–	20	–	–	–	–	20	–	20
Total comprehensive income for the year	–	–	–	(20,599)	–	56,758	–	(142,259)	(106,100)	(282)	(106,382)
Share-based payment by granting share options (Note 38)	–	–	–	–	–	–	1,518	–	1,518	–	1,518
Lapse of share options	–	–	–	–	–	–	(1,198)	1,198	–	–	–
At 30 June 2020	23,745	1,828,432	612,360	(16,998)	4,878	123,233	8,734	(1,567,013)	1,017,371	(8,505)	1,008,866

Notes:

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

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

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

The property revaluation reserve represents the gains arising on the revaluation of properties (other than investment properties) on the date of transfer from property, plant and equipment and right-of-use assets to investment properties.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Loss before taxation		**(144,830)**	(297,291)
Adjustments for:			
Interest income		**(13,673)**	(13,263)
Finance costs	10	**14,371**	13,449
Depreciation of property, plant and equipment	15	**11,414**	14,597
Amortisation of prepaid lease payments for land	17	**–**	2,885
Revaluation deficit of right-of-use assets	18	**25,202**	–
Depreciation of right-of-use assets	18	**4,235**	–
Share-based payment expenses	38	**1,518**	8,414
Change in fair value of derivative financial instruments, net	29	**134**	1,132
Change in fair value of investment properties, net	16	**(371)**	(41,618)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	28	**10,850**	32,085
(Reversal of expected credit loss)/expected credit loss recognised, net	26	**(11,678)**	3,725
Impairment loss on intangible assets	19	**29,348**	143,351
Reversal of write-down of inventories	25	**(267)**	(1,324)
Loss/(gain) on disposal of property, plant and equipment	8	**1,958**	(6,360)
Share of results of associates and impairment loss on interests in associates	23	**18,926**	39,471
Share of results of joint ventures	24	**4,048**	16,525
Loss on early redemption of promissory notes	8	**531**	–
Loss on disposal of investment properties	49	**1,290**	–
Provision for litigation	48	**15,514**	–
Operating loss before working capital changes		**(31,480)**	(84,222)
(Increase)/decrease in inventories		**(439)**	10,296
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments		**(8,873)**	144
Decrease in bills receivable		**4,130**	10,049
Decrease in bank balances held on behalf of brokerage clients		**18**	5,101
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	738
Increase/(decrease) in creditors, other advances and accrued charges		**25,804**	(15,610)
Decrease in derivative financial instruments		**–**	(1,223)
Cash used in operations		**(10,840)**	(74,727)
Income tax paid		**(392)**	(273)
Net cash used in operating activities		**(11,232)**	(75,000)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 HK$'000	2019 HK$'000
Investing activities			
Interest received		**13,673**	13,263
Addition of investment properties		**(3,411)**	–
Purchases of property, plant and equipment and prepayments for acquisition of property, plant and equipment		**(9,652)**	(37,048)
Proceeds from disposal of investment properties		**12,535**	–
Proceeds from disposal of property, plant and equipment		**593**	13,559
Proceeds from disposal of prepaid lease payments for land		**–**	62
Proceeds from disposal and deemed disposal of a subsidiary	32	**–**	1,450
Decrease in pledged deposits and bank balances		**83**	9,577
Increase in derivative financial assets		**(110)**	–
Net cash generated from investing activities		**13,711**	863
Financing activities			
Interest paid on borrowings		**(14,901)**	(13,647)
Net proceeds from issue of new shares	37	**–**	3,372
Repayment of interest portion of the lease liabilities		**(212)**	–
Repayment of principal portion of the lease liabilities		**(2,294)**	–
Proceeds from other loans		**10,000**	40,000
Repayment of other loans		**(5,950)**	–
New bank loans raised		**121,897**	109,283
Repayment of bank loans		**(105,275)**	(112,734)
Net cash generated from financing activities		**3,265**	26,274
Net increase/(decrease) in cash and cash equivalents		**5,744**	(47,863)
Cash and cash equivalents at beginning of the year		**59,992**	87,065
Effect of foreign exchange rate changes		**(2,102)**	20,790
Cash and cash equivalents at end of the year		**63,634**	59,992
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**63,634**	59,992

1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, trading of copper rods, investment properties, provision of financing and management service and holding of mining right. Its associates are engaged in advertising and media services, branding and marketing services, corporate image and strategy services, innovating strategy services, research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC. Its joint ventures are engaged in holding of mining right. Further details are set out in Notes 22, 23 and 24. The Company, together with its subsidiaries, associates and joint ventures are collectively referred to as the "Group".

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

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs
Amendments to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 July 2019 did not have any significant impact on the Group's accounting policies. Except for the amendments to HKFRS 16, the Group has not applied any new or revised standard and interpretation that is not yet effective for the year ended 30 June 2020.

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2019 (continued)

HKFRS 16 – Lease

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 30 June 2019 to that of 1 July 2019 as follows (increase/(decrease)):

Statement of financial position as at 1 July 2019	HK$'000
Right-of-use assets	108,104
Prepaid lease payments for land	(103,207)
Lease liabilities (non-current)	2,522
Lease liabilities (current)	2,666
Accumulated losses	291

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2019 (continued)

HKFRS 16 – Lease (continued)

(i) Impact of the adoption of HKFRS 16 (continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 July 2019:

Reconciliation of operating lease commitment to lease liabilities	HK$'000
Operating lease commitment as of 30 June 2019	5,657
Less: short term leases for which lease terms end within 12 months at the commencement date	(189)
Less: future interest expenses	(280)
Total lease liabilities as of 1 July 2019	5,188

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 July 2019 is 5.57%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has not applied the practical expedient but accounts for non-lease components applying other applicable HKFRSs.

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2019 (continued)

HKFRS 16 – Lease (continued)

(iii) Accounting as a lessee

Under HKFRS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2019 (continued)

HKFRS 16 – Lease (continued)

(iii) Accounting as a lessee (continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2019 (continued)

HKFRS 16 – Lease (continued)

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 July 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 July 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

The Group has elected to recognise all the right-of-use assets at 1 July 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 July 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 July 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2019 (continued)

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

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

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

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

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

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

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

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

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2019 (continued)

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

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

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

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

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

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

Amendments to HKFRS 16 – COVID-19 Related Rent Concessions

The amendment allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- There is no substantive change to other terms and conditions of the lease.

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

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

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

Amendments to HKFRS 3	Definition of a business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before intended use[4]
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets[4]
Annual Improvements to HKFRSs 2018–2020	HKFRS 1 First-time Adoption of International Financial Reporting Standards[4]
Annual Improvements to HKFRSs 2018–2020	HKFRS 9 Financial Instruments[4]
Annual Improvements to HKFRSs 2018–2020	Illustrative Examples accompanying HKFRS 16 Leases[4]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for business combinations and asset acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023
6 Effective for annual periods beginning on or after a date to be determined

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify how to classify debt and other liabilities as current or non-current.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa; this could affect a company's loan covenants.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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

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

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

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

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before intended use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

Amendments to HKAS 37 – Provisions, Contingent Liabilities and Contingent Assets

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to HKFRSs 2018–2020 – HKFRS 1, First-time Adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

Annual Improvements to HKFRSs 2018–2020 – HKFRS 9, Financial Instruments

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

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

Annual Improvements to HKFRSs 2018–2020 – Illustrative Examples accompanying HKFRS 16, Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation of consolidated financial statements

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

Business combination and basis of consolidation

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

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

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

Business combination and basis of consolidation (continued)

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

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

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

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

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

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

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

Goodwill

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

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

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

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

Subsidiaries

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

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

Associates

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

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

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

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

Associates (continued)

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

Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

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

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

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

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

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

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

Non-current assets held for sale and disposal groups

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

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

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

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

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

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

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

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

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

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

Property, plant and equipment (continued)

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

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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

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

Investment properties

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of prepaid land lease payments becomes an investment property when there is a change in use, as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

Prepaid lease payments for land (accounting policies until 30 June 2019)

Prepaid lease payments for land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. It is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments for land are amortised on a straight-line basis over the respective terms of the land use rights.

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

Mining right

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

Intangible assets (other than goodwill)

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

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

Impairment of assets excluding goodwill

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

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

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

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

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

Inventories

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

Financial instruments

(i) Financial assets

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

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

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

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

Debt instruments

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

Equity instruments

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

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

Financial instruments (continued)

(ii) Impairment loss on financial assets

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

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

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

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

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

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

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

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

Financial instruments (continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

Cash and cash equivalents

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

Income taxes

Income taxes comprise current tax and deferred tax.

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Leases (accounting polices applied from 1 July 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liabilities

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

Lease liabilities (continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Leasing (accounting policies applied until 30 June 2019)

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

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

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

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

Foreign currencies

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

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

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

Provisions and contingent liabilities

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

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

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

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

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

Revenue recognition

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

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

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

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

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

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

Sales of goods

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

Contract liabilities

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

Interest income

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

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

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

Employee benefits

Short term employee benefits

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

Defined contribution retirement plan

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

Termination benefits

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

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

Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Net realisable value of inventories

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

Depreciation of property, plant and equipment

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

Reserve estimates and amortisation of mining right

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

Income taxes

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of property, plant and equipment

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

Valuation of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried in the consolidated statement of financial position at their fair value, details of which are disclosed in Note 16. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent qualified valuer using property valuation techniques which involve certain assumptions and inputs as set out in Note 16. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties included in the consolidated statement of financial position and corresponding adjustments to the changes in fair value recognised in profit or loss. As at 30 June 2020, the carrying amount of investment properties was approximately HK$515,356,000 (2019: HK$321,160,000).

Provision on ECL for debtors, other loans and receivables

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

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

Impairment of mining right

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated recoverable amount of CGUs with goodwill and intangible assets

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

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

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

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

Foreign currency risk

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

Credit risk

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Credit risk (continued)

(i) Impairment of trade debtors

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

The following tables provide information about the Group's exposure to credit risk and ECLs for the trade debtors as at 30 June 2020 and 2019:

At 30 June 2020

	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Neither past due nor impaired	0.70%	45,651	319
0–30 days past due	0.54%	9,031	49
31–90 days past due	0.63%	1,909	12
Over 90 days past due	86.11%	2,182	1,879
		58,773	2,259

At 30 June 2019

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Credit risk (continued)

(ii) Impairment of other loans and receivables and deposits

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

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

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

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

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

The following table provides information about the Group's exposure to credit risk and ECLs for other loans and receivables and deposits as at 30 June 2020 and 2019:

At 30 June 2020

	Expected loss rate (%)	ECLs Stage 1 HK$'000	ECLs Stage 2 HK$'000	Lifetime ECLs Stage 3 HK$'000	Gross carrying amount HK$'000	Loss allowance HK$'000
Other loans and receivables and deposits	8.94	32,293	100,069	64,391	196,753	17,590

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Credit risk (continued)

(ii) Impairment of other loans and receivables and deposits (continued)

At 30 June 2019

	Expected loss rate (%)	ECLs Stage 1 HK$'000	ECLs Stage 2 HK$'000	Lifetime ECLs Stage 3 HK$'000	Gross carrying amount HK$'000	Loss allowance HK$'000
Other loans and receivables and deposits	14.97	167,665	–	38,290	205,955	30,840

Change in gross carrying amounts of other loans and receivables and deposits during the year ended 30 June 2020 and 2019 did not result in significant change in the loss allowance.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk relates primarily to the Group's floating-rate borrowings (Note 34).

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

At 30 June 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and the accumulated losses by approximately HK$1,746,000 (2019: HK$1,580,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2019.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

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

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
At 30 June 2020					
Non-derivative financial liabilities					
Creditors, other advances and accrued charges	92,977	92,977	84,986	3,606	4,385
Lease liabilities	2,894	2,962	2,962	–	–
Borrowings	174,638	192,061	115,749	54,374	21,938
Promissory notes	8,251	8,960	8,960	–	–
	278,760	296,960	212,657	57,980	26,323

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
At 30 June 2019					
Non-derivative financial liabilities					
Creditors, other advances and accrued charges	59,822	59,822	59,822	–	–
Borrowings	158,090	170,377	128,265	42,112	–
Promissory notes	14,004	16,803	–	16,803	–
	231,916	247,002	188,087	58,915	–

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 29.

At 30 June 2020, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by approximately HK$ Nil (2019: HK$ Nil) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2019.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Equity price risk

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

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

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2020, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would decrease/increase the Group's loss for the year and the accumulated losses by HK$877,000 (2019: HK$2,669,000).

b. Fair value

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value (continued)

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

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

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

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

The following table presents the Group's derivatives are measured at fair value at 30 June 2020 and 2019:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at FVTPL	**8,768**	**–**	**–**	**8,768**

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

6. REVENUE

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

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers:		
Sales of goods	276,254	303,858
Others	–	4,034
	276,254	307,892
Revenue from other sources:		
Rental income	12,017	9,187
Others	–	55
	12,017	9,242
	288,271	317,134

7. SEGMENTAL INFORMATION

(a) Reportable segments

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

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

(i) manufacture and trading of cables and wires;

(ii) trading of copper rods; and

(iii) investment properties.

During the year, the CODM considers that the Group's other operation's did not constitute a business segment as at 30 June 2020 and for the years then ended for the purpose of segment reporting. Accordingly, the segment information below for the prior year is represented to conform the current year presentation.

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2019 and 2020 and for the years then ended for the purpose of segment reporting.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before taxation. The adjusted profit/loss before taxation is measured consistently with the Group's profit/loss before taxation except that impairment loss on mining right, share of results of associates and joint ventures as well as head office and corporate expenses (including share-based payment expenses etc.) are excluded from such measurement.

Segment assets exclude mining right, interests in associates and joint ventures, deferred tax assets, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2020

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	178,209	98,045	12,017	288,271	–	288,271
Inter-segment revenue	–	15,433	–	15,433	(15,433)	–
Reportable segment revenue	178,209	113,478	12,017	303,704	(15,433)	288,271
Reportable segment profit/(loss)	5,643	(16,329)	9,818	(868)	–	(868)
Finance costs	(8,203)	(3,962)	(558)	(12,723)	–	(12,723)
Change in fair value of derivative financial instruments, net	–	(134)	–	(134)	–	(134)
Change in fair value of investment properties, net	–	–	371	371	–	371
Loss on disposal of property, plant and equipment						
– allocated	(752)	(770)	(426)	(1,948)	–	(1,948)
– unallocated						(10)
						(1,958)
(Reversal of expected credit loss)/ expected credit loss recognised, net						
– allocated	(601)	(1,067)	9,931	8,263	–	8,263
– unallocated						3,415
						11,678
Provision for litigation	–	(15,514)	–	(15,514)	–	(15,514)
Depreciation of right-of-use assets						
– allocated	(7)	(906)	(874)	(1,787)	–	(1,787)
– unallocated						(2,448)
						(4,235)
Depreciation of property, plant and equipment						
– allocated	(5,269)	(2,728)	(655)	(8,652)	–	(8,652)
– unallocated						(2,762)
						(11,414)
Income tax credit/(expense)						
– allocated	305	1,879	(1,090)	1,094	–	1,094
– unallocated						17
						1,111

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2019 (represented)

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	176,494	127,419	9,187	313,100	–	313,100
Inter-segment revenue	–	24,057	–	24,057	(24,057)	–
Reportable segment revenue	176,494	151,476	9,187	337,157	(24,057)	313,100
Reportable segment (loss)/profit	(27,123)	4,915	36,158	13,950	–	13,950
Finance costs	(7,652)	(4,566)	–	(12,218)	–	(12,218)
Change in fair value of derivative financial instruments, net	–	(494)	–	(494)	–	(494)
Change in fair value of investment properties, net	7,841	–	33,777	41,618	–	41,618
Gain on disposal of property, plant and equipment	4,281	2,079	–	6,360	–	6,360
(Expected credit loss)/reversal of expected credit loss recognised, net						
– allocated	(8,625)	4,710	–	(3,915)	–	(3,915)
– unallocated						190
						(3,725)
Depreciation of property, plant and equipment						
– allocated	(6,694)	(4,118)	(1,031)	(11,843)	–	(11,843)
– unallocated						(2,754)
						(14,597)
Income tax (expense)/credit						
– allocated	(1,883)	4,767	(9,804)	(6,920)	–	(6,920)
– unallocated						1,375
						(5,545)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

As at 30 June 2020

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000
Reportable segment assets	**105,781**	**197,139**	**567,644**	**870,564**
Additions to non-current assets	**1,056**	**–**	**45,644**	**46,700**
Reportable segment liabilities	**151,708**	**79,089**	**52,394**	**283,191**

As at 30 June 2019 (represented)

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000
Reportable segment assets	109,710	266,080	373,025	748,815
Additions to non-current assets	2,914	–	–	2,914
Reportable segment liabilities	127,064	64,171	11,696	202,931

7. SEGMENTAL INFORMATION (continued)

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

	2020 HK$'000	2019 HK$'000 (represented)
For the year ended 30 June		
Loss before taxation		
Reportable segment (loss)/profit	(868)	13,950
Change in fair value of derivative financial instruments	–	(638)
Impairment loss on intangible assets	(29,348)	(143,351)
Loss on early redemption of promissory notes	(531)	–
Revaluation deficit of right-of-use assets	(25,202)	–
Share of results of joint ventures	(4,048)	(16,525)
Share-based payment expenses	(1,518)	(8,414)
Share of results of associates and impairment loss on interests in associates	(18,926)	(39,471)
Unallocated finance costs	(1,648)	(1,231)
Unallocated corporate expenses	(62,741)	(101,611)
Consolidated loss before income tax credit/expense	(144,830)	(297,291)
At 30 June		
Assets		
Reportable segment assets	870,564	748,816
Mining right	427,349	456,723
Interests in joint ventures	12,379	16,407
Interests in associates	33,125	52,238
Unallocated bank balances and cash	3,427	6,547
Unallocated corporate assets	33,265	120,430
Consolidated total assets	1,380,109	1,401,161
Liabilities		
Reportable segment liabilities	283,191	202,931
Taxation	47	72
Promissory notes	8,251	14,004
Deferred tax liabilities	69,092	53,575
Unallocated corporate liabilities	10,662	16,558
Consolidated total liabilities	371,243	287,140

7. SEGMENTAL INFORMATION (continued)

(c) Geographical information

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

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

	Revenue from external customers		Specified non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(represented)
The PRC	**194,947**	240,425	**535,335**	490,124
Americas	**19,399**	13,857	**–**	–
Europe	**38,479**	32,598	**–**	–
Hong Kong	**21,174**	18,146	**51,043**	57,286
Other Asian regions	**14,272**	12,108	**442,344**	492,149
	288,271	317,134	**1,028,722**	1,039,559

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

(d) Disaggregation of revenue by timing of revenue recognition

For the year ended 30 June 2020

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000
Revenue from contracts with customers disaggregated by timing of revenue recognition				
– At a point in time	178,209	98,045	–	276,254
– Transferred over time	–	–	–	–
	178,209	98,045	–	276,254
Revenue from other sources	–	–	12,017	12,017
	178,209	98,045	12,017	288,271

7. SEGMENTAL INFORMATION (continued)

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

For the year ended 30 June 2019 (represented)

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000
Revenue from contracts with customers disaggregated by timing of revenue recognition				
– At a point in time	176,494	127,419	–	303,913
– Transferred over time	–	–	–	–
	176,494	127,419	–	303,913
Revenue from other sources	–	–	9,187	9,187
	176,494	127,419	9,187	313,100

(e) Information about major customers

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

	2020 HK$'000	2019 HK$'000
Copper rods segment		
Customer A	**47,859**	56,702
Customer B	**–**	39,158

8. LOSS BEFORE TAXATION

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

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	2,150	2,150
Amortisation of prepaid lease payments for land	–	2,885
Depreciation of property, plant and equipment	11,414	14,597
Carrying amount of inventories sold	256,505	286,837
Reversal of write-down of inventories	(267)	(1,324)
Cost of inventories recognised as expenses (Note (i))	256,238	285,513
Lease payments under operating leases	–	12,264
Short term lease expenses	200	–
Depreciation of right-of-use assets	4,235	–
Direct operating expenses arising from investment properties that generate rental income during the year	1,261	2,017
Loss/(gain) on disposal of property, plant and equipment	1,958	(6,360)
Loss on disposal of investment properties	1,290	–
Exchange difference, net	(188)	35,066
Government subsidies	(562)	–
Share-based payment expenses (Note 38)	1,518	8,414
Staff costs (including directors' remuneration) (Note 9)	56,017	59,546
Loss on early redemption of promissory notes	531	–
Provision for litigation	15,514	–

Note:

(i) Included in cost of inventories is HK$25,899,000 (2019: HK$28,224,000) relating to staff costs and depreciation of property, plant and equipment. The amounts are also included in the respective total amounts as separately disclosed above.

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

	Fees		Salaries and other benefits		Share-based payment		Retirement benefit scheme contributions		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Directors										
Chau Lai Him	**–**	–	**6,890**	6,708	**–**	1,182	**–**	–	**6,890**	7,890
Zhou Jin Hua*	**–**	–	**–**	1,405	**–**	1,182	**–**	2	**–**	2,589
Liu Dong Yang	**317**	305	**259**	248	**–**	1,182	**73**	94	**649**	1,829
Chau Chi Ho	**–**	–	**1,118**	1,040	**–**	709	**18**	18	**1,136**	1,767
Chung Kam Kwong	**432**	408	**–**	–	**–**	50	**–**	–	**432**	458
Lo Wai Ming	**266**	252	**–**	–	**–**	50	**–**	–	**266**	302
Lo Chao Ming	**100**	94	**–**	–	**–**	50	**–**	–	**100**	144
	1,115	1,059	**8,267**	9,401	**–**	4,405	**91**	114	**9,473**	14,979

* Mr. Zhou Jin Hua passed away on 13 June 2019.

During the year ended 30 June 2020, no share options (2019: 88,460,000) have been granted to the directors of the Company, and therefore no share-based payment expenses (2019: HK$4,405,000) has been recognised in profit or loss.

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

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

The five highest paid individuals of the Group include two (2019: four) executive directors of the Company, details of whose remuneration are included above. The emoluments of the three (2019: one) non-director individual was as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	3,967	1,494
Contributions to retirement benefit schemes	54	18
	4,021	1,512

Remuneration of these individuals was within the following bands:

	Number of individuals 2020	2019
Nil – HK$1,000,000	–	–
HK$1,000,001 – HK$1,500,000	2	–
HK$1,500,001 – HK$2,000,000	1	1

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

	Number of individuals 2020	2019
Nil – HK$1,000,000	6	7
HK$1,000,001 – HK$1,500,000	3	–
HK$1,500,001 – HK$2,000,000	1	3
HK$2,500,000 – HK$3,000,000	–	1
HK$6,500,001 – HK$7,000,000	1	–
HK$7,500,001 – HK$8,000,000	–	1

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on borrowings	14,901	13,214
Interest on lease liabilities (Note 18)	212	–
Imputed interest on promissory notes (Note 35)	797	235
Less: Amount capitalised (Note (i))	(1,539)	–
	14,371	13,449

Note:

(i) Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 9.13% (2019: Nil) to expenditure on qualifying assets.

11. INCOME TAX CREDIT/(EXPENSES)

	2020 HK$'000	2019 HK$'000
Current tax for the year		
Hong Kong profits tax		
– provision for the year	–	–
Taxation in other jurisdictions:		
– provision for the year	(18)	(91)
– Under-provision in respect of previous years	(352)	(162)
	(370)	(253)
Deferred tax for the year (Note 36)	1,481	(5,292)
	1,111	(5,545)

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

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

11. INCOME TAX CREDIT/(EXPENSES) (continued)

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

	2020 HK$'000	2019 HK$'000
Loss before taxation	**(144,830)**	(297,291)
Tax calculated at the rates applicable to the tax jurisdictions concerned	**(36,207)**	(74,322)
Tax effect of expenses not deductible for tax purpose	**27,929**	78,354
Tax effect of income not taxable for tax purpose	**(3,520)**	(5,219)
Tax effect of tax losses not recognised	**8,961**	6,322
Utilisation of tax losses previously not recognised	**–**	(830)
Under-provision in respect of prior years	**352**	162
Tax effect of deductible temporary difference not recognised	**–**	(1,865)
Tax effect of temporary difference not recognised	**290**	–
Tax effect on share of results of associates	**72**	2,902
Tax effect on share of results of joint ventures	**1,012**	41
Income tax (credit)/expense for the year	**(1,111)**	5,545

12. OTHER INCOME AND GAINS

	2020 HK$'000	2019 HK$'000
Other rental income	**212**	221
Gain on disposal of property, plant and equipment	**–**	6,360
Government subsidies (Note)	**562**	–
Others	**1,045**	4,371
	1,819	10,952

Note: Government subsidies mainly related to wage subsidies from the HKSAR Government under the Employment Support Scheme ("**ESS**"). Under the term of the ESS, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

13. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2019 and 2020.

14. LOSS PER SHARE

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

	2020	2019
	HK$'000	HK$'000
Loss attributable to owners of the Company	**(142,259)**	(301,963)

	2020	2019
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,374,532,340**	2,372,059,737

The computation of diluted loss per share does not assume the subscription of the Company's outstanding potential dilutive ordinary shares as they are anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the years ended 30 June 2020 and 2019.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST:							
At 1 July 2018	–	76,768	22,851	68,392	302,481	30,641	501,133
Additions	–	–	2,297	532	85	–	2,914
Disposals	–	(96)	–	–	(24,303)	(208)	(24,607)
Exchange realignment	–	(3,040)	(877)	(3,011)	(9,991)	(729)	(17,648)
At 30 June 2019 and 1 July 2019	–	73,632	24,271	65,913	268,272	29,704	461,792
Additions	42,897	–	–	623	433	545	44,498
Revaluation	4,421	19,778	–	–	–	–	24,199
Transferred to investment properties (Note 16)	(47,318)	(35,980)	–	–	–	–	(83,298)
Elimination of accumulated depreciation	–	(23,447)	–	–	–	–	(23,447)
Disposals	–	–	(1,099)	(1,300)	(7,070)	(9,242)	(18,711)
Exchange realignment	–	(2,242)	(754)	(1,954)	(8,700)	(606)	(14,256)
At 30 June 2020	**–**	**31,741**	**22,418**	**63,282**	**252,935**	**20,401**	**390,777**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:							
At 1 July 2018	–	51,032	16,427	53,627	274,490	25,239	420,815
Depreciation	–	4,402	1,469	3,837	3,692	1,197	14,597
Disposals	–	(39)	–	–	(17,182)	(187)	(17,408)
Exchange realignment	–	(2,070)	(632)	(2,276)	(9,176)	(601)	(14,755)
At 30 June 2019 and 1 July 2019	–	53,325	17,264	55,188	251,824	25,648	403,249
Depreciation	–	2,901	1,341	3,583	2,481	1,108	11,414
Elimination on revaluation	–	(23,447)	–	–	–	–	(23,447)
Disposals	–	–	(1,037)	(824)	(6,323)	(7,976)	(16,160)
Exchange realignment	–	(1,713)	(567)	(1,736)	(8,116)	(520)	(12,652)
At 30 June 2020	**–**	**31,066**	**17,001**	**56,211**	**239,866**	**18,260**	**362,404**
NET CARRYING AMOUNT:							
At 30 June 2020	**–**	**675**	**5,417**	**7,071**	**13,069**	**2,141**	**28,373**
At 30 June 2019	–	20,307	7,007	10,725	16,448	4,056	58,543

During the year ended 30 June 2020, the use of certain previously self-used premises of the buildings of the Group had been changed and the management had decided to lease out the premises for rental income. Accordingly the carrying amounts of construction-in-progress of HK$47,318,000 and buildings of HK$35,980,000 (after revaluation upon the transfer) as at the date of transfer had been transferred to investment properties of the Group. A surplus on revaluation, net of deferred taxation, of HK$18,149,000 was credited to property revaluation reserve.

16. INVESTMENT PROPERTIES

	Notes	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
At 1 July 2018		303,146	–	303,146
Change in fair value		41,618	–	41,618
Exchange realignment		(10,485)	–	(10,485)
		334,279	–	334,279
Less: classified as held for sale	49	(13,119)	–	(13,119)
At 30 June 2019 and 1 July 2019		321,160	–	321,160
Additions		–	2,747	2,747
Transferred from property, plant and equipment	15	35,980	47,318	83,298
Transferred from right-of-use assets	18	22,010	97,814	119,824
Change in fair value		(230)	601	371
Exchange realignment		(10,450)	(1,594)	(12,044)
At 30 June 2020		368,470	146,886	515,356

The Group's investment properties were valued at 30 June 2020 by Peak Vision and LCH (Asia-Pacific) Surveyors Limited ("LCH"), which are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties was based on one of the following approaches:

(i) investment approach by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies;

(ii) direct comparison approach by making reference to comparable sales evidence available as in the relevant market; or

(iii) depreciated replacement cost approach by making reference to the market value of comparable land and the estimated replacement cost of the buildings.

These valuations gave rise to net fair value gains of HK$371,000 (2019: HK$41,618,000) during the year.

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

16. INVESTMENT PROPERTIES (continued)

For the significant unobservable inputs used under the investment approach, term yield ranging from 5.9% to 19.0% (2019: 5.9% to 19.89%), reversionary yield ranging from 8.9% to 9.0% (2019: 8.9% to 9.9%) and average market unit rent per month ranging from RMB11 to RMB38 (2019: RMB11 to RMB32) per square metre are adopted for the industrial buildings. As at 30 June 2020, no residential buildings is held by the Group. As at 30 June 2019, term yield of 3.25%, reversionary yield of 3.5% and average market unit rent per month ranging from RMB17 to RMB27 per square metre are adopted for the residential buildings.

Under the direct comparison approach, significant inputs include price per square metre of RMB225 to RMB1,951 (2019: RMB854 to RMB3,084) adjusted for a range from a discount of 39% to a premium of 4% (2019: discount of 5%) specific to the location of the Group's investment properties located in the PRC compared to recent sales on the comparable transactions.

Under the depreciated replacement cost approach, the estimated replacement cost adopted is RMB749 per square metre.

The fair value measurement of investment properties is (i) negatively correlated to the term yield and reversionary yield and positively correlated to average market unit rent per month under the investment approach; (ii) positively correlated to the price per square feet and square metre where appropriate and a favourable adjustment on the comparable transactions under the direct comparison approach; and (iii) positively correlated to the estimated replacement cost under the depreciated replacement cost approach.

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

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

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

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

As at 30 June 2020, the Group pledged investment properties with aggregate carrying amount of HK$310,456,000 (2019: HK$240,760,000) to secure the borrowings of the Group (Note 34).

17. PREPAID LEASE PAYMENTS FOR LAND

	2020 HK$'000	2019 HK$'000
Carrying amount at beginning of year	103,207	110,526
Initial application of HKFRS 16 (Note 2(a)(i))	(103,207)	–
Disposal	–	(62)
Charged to the profit or loss during the year	–	(2,885)
Exchange realignment	–	(4,372)
Carrying amount at end of year	–	103,207

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

	2020 HK$'000	2019 HK$'000
Leasehold land situated in the PRC	–	102,999
Leasehold land situated in Hong Kong	–	208
	–	103,207
Analysed for reporting purposes as:		
Non-current	–	100,354
Current	–	2,853
	–	103,207

Upon the initial application of HKFRS 16 on 1 July 2019, the balance was reclassified to right-of-use assets as detailed in Note 18.

18. LEASES

HKFRS 16 was adopted on 1 July 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 July 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 July 2019, as disclosed in Note 3.

(a) The Group as lessee

The Group has lease contracts for office buildings. Lump sum payments were made upfront to acquire the interests in the leasehold land in the PRC. Leases of office buildings generally have lease terms ranging from one to three years and lease payments are fixed over the lease terms. There is no extension options, variable lease payments nor restrictions or covenants included in these agreements.

Certain leases of office buildings have lease terms of 12 months or less and the Group did not capitalised these leases by applying the short-term lease recognition exemption.

(i) Right-of-use assets

The movements of the carrying amounts of the Group's right-of-use assets during the year are set out below:

	Leasehold land HK$'000	**Buildings** HK$'000	**Total** HK$'000
At 30 June 2019	–	–	–
Initial application of HKFRS 16 (Note 2(a)(i))	103,207	4,897	108,104
As at 1 July 2019	103,207	4,897	108,104
Revaluation, net (Note)	27,161	–	27,161
Transferred to investment properties (Note 16)	(119,824)	–	(119,824)
Depreciation expense	(1,787)	(2,448)	(4,235)
Exchange realignment	(2,746)	–	(2,746)
As at 30 June 2020	6,011	2,449	8,460

Note: Amount comprised the net effect of revaluation gain of HK$52,363,000 and revaluation deficit of HK$25,202,000. With regard to the revaluation gain, a surplus of revaluation, net of deferred taxation, of HK$39,272,000 was credited to property revaluation reserve. The revaluation deficit of HK$25,202,000 was charged to profit or loss.

18. LEASES (continued)

(a) The Group as lessee (continued)

(ii) Lease liabilities

	HK$'000
At 30 June 2019	–
Initial application of HKFRS 16 (Note 2(a)(i))	5,188
As at 1 July 2019	5,188
Interest expense	212
Payments	(2,506)
As at 30 June 2020	2,894
Classified under:	
Non-current portion	–
Current portion	2,894
	2,894

Future lease payments are due as follows:

	2020		
	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Within one year	2,962	68	2,894

(iii) Information in relation to short term leases

	2020 HK$'000
Short term lease expenses	200
Aggregate undiscounted commitments for short term leases	116

18. LEASES (continued)

(a) The Group as lessee (continued)

(iv) Disclosure regarding operating lease commitment as at 30 June 2020 under HKAS 17

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due during the period as follows:

	2020 **HK$'000**
Within one year	**116**

Operating lease payments represent rentals payable by the Group for its office properties. Leases were negotiated for an average term of two years with fixed rentals over the terms of the leases.

(b) The Group as lessor

The Group leases out its investment properties under operating lease arrangements with leases negotiated for period ranging from one year to fifteen years (2019: one year to ten years). As at 30 June 2020, the Group had contracted with tenants for the following future minimum lease payments receivable:

	2020 **HK$'000**	2019 HK$'000
Within one year	**40,995**	10,075
In the second year	**14,983**	9,141
In the third year	**15,059**	8,799
In the fourth year	**15,045**	8,799
In the fifth year	**11,967**	8,799
Over five years	**21,632**	4,100
	119,681	49,713

19. INTANGIBLE ASSETS

	Mining right HK$'000	Trading right HK$'000	Goodwill HK$'000	Total HK$'000
COST:				
At 1 July 2018	1,167,915	630	57,570	1,226,115
Exchange realignment	(204)	–	–	(204)
At 30 June 2019 and 1 July 2019	1,167,711	630	57,570	1,225,911
Exchange realignment	(27)	–	–	(27)
At 30 June 2020	**1,167,684**	**630**	**57,570**	**1,225,884**
ACCUMULATED AMORTISATION AND IMPAIRMENT:				
At 1 July 2018	614,489	–	11,351	625,840
Impairment	96,502	630	46,219	143,351
Exchange realignment	(3)	–	–	(3)
At 30 June 2019 and 1 July 2019	710,988	630	57,570	769,188
Impairment	29,348	–	–	29,348
Exchange realignment	(1)	–	–	(1)
At 30 June 2020	**740,335**	**630**	**57,570**	**798,535**
NET CARRYING AMOUNT:				
At 30 June 2020	**427,349**	**–**	**–**	**427,349**
At 30 June 2019	456,723	–	–	456,723

19. INTANGIBLE ASSETS (continued)

Mining right

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

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

In performing the impairment testing for the year, the directors of the Company have engaged Peak Vision in determining the recoverable amount of the CGU for which the mining right belongs to (the "**Mining CGU**"). Given the current development status of mining right, management has determined that recoverable amount of the Mining CGU on a fair-value-less-costs-of-disposal basis. The calculation has incorporated assumptions that a typical market participant would use in estimating the recoverable amount of the Mining CGU, which adopted cash flow projection for a period of 9 years which is estimated to be the entire period of mining activities, discounted by the post-tax discount rate of 22.05%. In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparable. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the commodity market are taken as reference. The key assumptions also included budgeted gross margins based on management expectations of market development and estimated mineral resources reserves based on technical report. There has been no change from the valuation technique used in prior year.

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

As at 30 June 2020, the carrying amount of the Mining CGU was HK$459,490,000, which was higher than the recoverable amount of HK$430,142,000 based on the above assessment, resulting in an impairment loss of HK$29,348,000. The impairment loss is primarily due to the delay in the mining plan and hence a corresponding decrease in future cash inflows, which is attributed to the decrease in the recoverable amount of the mining right.

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

19. INTANGIBLE ASSETS (continued)

Trading right and goodwill

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

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

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

20. PREPAYMENTS

	2020 **HK$'000**	2019 HK$'000
Prepayments made for construction of investment properties	**3,680**	–
Prepayments made for acquisition of property, plant and equipment	**–**	34,134
	3,680	34,134

21. OTHER ASSETS

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

22. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

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

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

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

Notes:

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

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

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

23. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Share of net assets	33,125	33,600
Goodwill	–	18,638
	33,125	52,238

Particulars of the Group's associates as at 30 June 2020 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
Idea Advertising Holdings Ltd. #	Limited liability company	BVI	49% (direct)	Investment holding
Idea Advertising Hong Kong Company Ltd. #	Limited liability company	Hong Kong	49% (indirect)	Investment holding
廣州市藝典廣告有限公司#	Limited liability company	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services
珠海藝典廣告有限公司#	Limited liability company	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services
Ocean Pride Ventures Limited*	Limited liability company	BVI	17% (direct)	Investment holding

23. INTERESTS IN ASSOCIATES (continued)

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
Vietta Investment Holdings Limited*	Limited liability company	Hong Kong	17% (indirect)	Investment holding
江門市健輝照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Investment holding
江門市博林照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC

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

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

During the year, the recoverable amount of the Idea Group was determined by the directors of the Company based on fair value less cost of disposal calculations on individual assets and liabilities within the Idea Group with reference to a professional valuation performed by Peak Vision.

During the year ended 30 June 2019, the recoverable amount of the Idea Group was determined by the directors of the Company based on value-in-use calculations with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection based on the financial budget approved by management covering a three-year period. The cash flows beyond the three-year period are extrapolated using a steady growth rate of 3%, which is based on the relevant industry growth rate and does not exceed the average long-term growth rate for the business in which the associates operate. The pre-tax discount rate adopted in the calculation is 18.78%.

As at 30 June 2020, the carrying amount of the Idea Group, before impairment, is higher than its recoverable amount based on the above assessment. Accordingly, impairment loss on interests in associates of HK$13,646,000 (2019: HK$27,863,000) was recognised in profit or loss.

23. INTERESTS IN ASSOCIATES (continued)

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

	2020 HK$'000	2019 HK$'000
At 30 June		
Total non-current assets	–	18
Total current assets	52,847	62,620
Total current liabilities	787	12,505
Total non-current liabilities	–	–
Net assets	52,060	50,133
Proportion of effective interest held by the Group	49%	49%
Group's share of net assets of associates	25,509	24,565
For the year ended 30 June		
Revenue	98	2,765
Profit/(loss) from operations	2,105	(24,186)
Other comprehensive income	(178)	(2,827)
Total comprehensive income for the year	1,927	(27,013)
Share of results of associates	1,031	(11,851)
Share of other comprehensive income of associates	(87)	(1,385)

During the year, the recoverable amount of the Ocean Pride Group was determined by the directors of the Company based on a fair value less cost of disposal calculations with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection based on the financial budgets approved by management covering a five-year period. The cash flow beyond the five-year period are extrapolated using a steady growth rate of 3%, which is based on the relevant industry growth rate and does not exceed the average long-term growth rate for the business in which the associate operate. The post-tax discount rate adopted in the calculation is 14.66%.

The fair value of the interest in Ocean Pride Group is a Level 3 non-recurring fair value measurement.

As at 30 June 2020 the carrying amount of the Ocean Pride Group, before impairment, is higher than its recoverable amount based on the above assessment. Accordingly, impairment loss on interest in associates of HK$4,992,000 was recognised in profit or loss.

23. INTERESTS IN ASSOCIATES (continued)

During the year ended 30 June 2019, the recoverable amount of the Ocean Pride Group was determined by the directors of the Company based on value-in-use calculations with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection based on the financial budget approved by management covering a five-year period. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3%, which is based on the relevant industry growth rate and does not exceed the average long-term growth rate for the business in which the associates operate. The pre-tax discount rate adopted in the calculation is 17.82%.

As at 30 June 2019, the value-in-use of the Ocean Pride Group exceeded its carrying amount, and hence no impairment loss on interests in associates was recognised.

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

	2020 **HK$'000**	2019 HK$'000
At 30 June		
Total non-current assets	**51,331**	57,762
Total current assets	**52,474**	79,093
Total current liabilities	**48,487**	70,565
Total non-current liabilities	**10,515**	13,144
Net assets	**44,803**	53,146
Proportion of effective interest held by the Group	**17%**	17%
Group's share of net assets of associates	**7,616**	9,035
For the year ended 30 June		
Revenue	**106,084**	29,646
(Loss)/profit from operations	**(7,758)**	1,427
Other comprehensive income	**(585)**	94
Total comprehensive income for the year	**(8,343)**	1,521
Share of results of associates	**(1,319)**	243
Share of other comprehensive income of associates	**(100)**	16

24. INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of net assets	**12,379**	16,407

Particulars of the Group's joint ventures as at 30 June 2020 are as follows:

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

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

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

During the year, the recoverable amount of the Group's joint ventures was determined by the directors of the Company based on fair-value-less-costs-of-disposal basis with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection for a period of 17 years, discounted by the post-tax discount rate of 23.02% (2019: 24.05%). In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the commodity market are taken as reference.

As at 30 June 2020, the carrying amount of the Group's joint ventures, before impairment, approximate its recoverable amount based on the above assessment. Accordingly, no impairment loss on interests in joint ventures (2019: HK$Nil) was recognised in profit or loss.

24. INTERESTS IN JOINT VENTURES (continued)

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

	2020 HK$'000	2019 HK$'000
At 30 June		
Total non-current assets	145,794	185,454
Cash and cash equivalents	558	641
Other current assets	205	949
Total current assets	763	1,590
Total current liabilities	(12,907)	(13,030)
Total non-current liabilities	(9,862)	(9,949)
Net assets	123,788	164,065
Reconciliation to the Group's interests in joint ventures:		
Proportion of effective interest held by the Group	10%	10%
Group's share of net assets of the joint ventures	12,379	16,407
For the year ended 30 June		
Exploration expenses	(740)	(1,555)
Impairment loss on mining right	(39,660)	(163,633)
Other expenses	(77)	(62)
Loss for the year	(40,477)	(165,250)
Other comprehensive income	200	1,406
Total comprehensive income for the year	(40,277)	(163,844)
Share of results of joint ventures	(4,048)	(16,525)
Share of other comprehensive income of joint ventures	20	141

25. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	11,330	13,251
Work in progress	2,309	1,786
Finished goods	9,715	7,648
	23,354	22,685

During the year ended 30 June 2020, a reversal of write-down of inventories amounting to HK$267,000 (2019: a reversal of write-down of inventories amounting to HK$1,324,000) is recorded in cost of sales as presented in the consolidated statement of profit or loss.

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

	2020 HK$'000	2019 HK$'000
Trade debtors, net	56,514	45,421
Loans receivable	148,300	148,994
Prepayments	6,368	5,955
Deposits and other receivables, net	30,863	26,121
VAT recoverable	11,347	2,958
	253,392	229,449
Less: Amount shown under non-current assets	(11,614)	–
Amount shown under current assets	241,778	229,449

(i) The Group usually grants credit period ranging from 30 to 60 days (2019: 30 to 60 days) to its trade customers.

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

	2020 HK$'000	2019 HK$'000
Within 30 days	27,401	21,100
31 – 60 days	12,549	9,226
61 – 90 days	10,130	7,283
Over 90 days	6,434	7,812
	56,514	45,421

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

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

	2020 HK$'000	2019 HK$'000
At beginning of year	1,777	8,939
Expected credit loss recognised /(reversal) during the year, net	608	(6,875)
Exchange realignment	(126)	(287)
At end of year	2,259	1,777

As at 30 June 2020, the Group's trade debtors of HK$2,259,000 (2019: HK$1,777,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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

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

	2020 HK$'000	2019 HK$'000
Neither past due nor impaired	45,332	34,241
Past due 1–30 days	8,982	6,732
Past due 31–90 days	1,897	4,213
Past due more than 90 days	303	235
	56,514	45,421

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

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

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

(v) As at 30 June 2020, included in debtors, other loans and receivables, deposits and prepayments mainly consisted of:

(a) Other loans receivable from eleven (2019: seven) independent third parties with aggregate principal amount of HK$135,935,000 (2019: HK$148,177,000) and related interest receivables of HK$13,752,000 (2019: HK$11,417,000).

These loan receivables were unsecured, interest-bearing at rates ranged from 5.5% to 13% (2019: 5.5% to 13%) per annum and repayable within twelve months from the end of reporting period.

The directors of the Company are of the opinion that, after taking into account the past payment history, impairment loss on the loans receivable of HK$1,387,000 (2019: HK$10,600,000) was made at the end of the reporting period.

(b) Amounts due from financial institutions amounting to HK$2,056,000 (2019: HK$2,023,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

(c) An amounts due from non-controlling equity owners of the subsidiaries amounted to HK$4,733,000 (2019: HK$5,757,000). The balance are secured by the shares of the subsidiary (2019: unsecured), interest-free and has no fixed terms of repayment.

(d) An amount due from a joint venture amounted to HK$15,537,000 (2019: HK$12,121,000). As at 30 June 2019, the balance is secured by the shares of the joint venture, interest-free and has no fixed terms of repayment. As at 30 June 2020, the balance is secured by the shares of the joint venture, interest-free and will be fully repaid on 31 October 2022.

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

	2020 **HK$'000**	2019 HK$'000
At beginning of year	**30,840**	20,240
Expected credit loss (reversed)/recognised during the year, net	**(12,286)**	10,600
Exchange realignment	**(964)**	–
At end of year	**17,590**	30,840

27. BILLS RECEIVABLE

Bills receivable generally have credit terms ranging from 3 to 6 months. No bills receivables as at 30 June 2020 and 2019 are past due.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	HK$'000
Equity securities held for trading and listed in Hong Kong	**8,768**	26,699

Fair values of the listed equity securities are determined based on the quoted market prices in an active market. During the year ended 30 June 2020, a fair value loss of HK$6,304,000 (2019: HK$24,262,000) and a loss on disposal of HK$4,546,000 (2019: net loss on disposal of HK$7,823,000) are recognised in profit or loss.

29. DERIVATIVE FINANCIAL ASSETS

Derivative not qualified for hedging

	2020	2019
	HK$'000	HK$'000
Copper futures contracts	**–**	24

The major terms of the outstanding copper futures contracts of the Group which has not been designated as hedging instruments were as follows:

	As at 30 June 2019
Quantities (in tonnes)	125
Average price per tonne	US$5,868
Delivery period	From July 2019 To September 2019
Fair value gain of copper futures contracts recognised as current assets (in HK$'000)	24

The decrease in fair value of derivative financial instruments amounting to HK$134,000 (2019: HK$1,132,000) has been recognised in profit or loss during the year.

30. PLEDGE OF ASSETS

As at 30 June 2020, save as disclosed elsewhere in these financial statements, the Group has pledged the following assets to secure general banking facilities and other loans granted to the Group. The carrying amounts of these assets are analysed as follows:

	Note	2020	2019
		HK$'000	HK$'000
Investment properties	16	310,456	240,760
Pledged bank deposits		2,191	2,274
		312,647	243,034

31. BANK BALANCES AND CASH AND BANK BALANCES HELD ON BEHALF OF BROKERAGE CLIENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2020	2019
	HK$'000	HK$'000
Bank balances and cash and bank balances held on behalf of brokerage clients were denominated in the following currencies:		
RMB	57,282	52,053
HK$	4,804	5,736
U.S. Dollars	1,318	2,092
EURO	169	86
Mongolian Tughrik	89	71
	63,662	60,038

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

In respect of the Group's business of securities brokerage, the Group maintains segregated trust accounts and bank time deposits with authorised institutions to hold clients' monies. The Group has classified clients' monies separately under current assets in the consolidated statement of financial position and has recognised the corresponding trade creditors of HK$ Nil (2019: HK$18,000) to respective clients as included in the trade creditors in Note 33 on the ground that it is liable for any loss or misappropriation of clients' monies and does not have a currently enforceable right to offset those payables with the deposits placed.

32. DEEMED DISPOSAL OF SUBSIDIARIES

For the year ended 30 June 2019

2,981,748 new shares of Pico Zeman were allotted and subscribed by the then director of Pico Zeman at an aggregate amount of HK$1,450,000. Upon the completion of these subscription, the Group's equity interest in Pico Zeman was reduced from 100% to 93.94%. Such deemed disposal does not result in the loss of control on Pico Zeman and is accounted for as an equity transaction with non-controlling interest.

The Group and an independent third party agreed to make capital injection into a Group's then wholly-owned subsidiary, DG Yunxin, amounted to RMB31,000,000 (equivalent to approximately HK$36,270,000) and RMB32,670,000 (equivalent to approximately HK$37,167,000) respectively. Upon the completion of capital injection, the equity interest of the Group in DG Yunxin reduced to 51%. As at 30 June 2020, the capital injection has not been completed.

The Group also disposed of its 49% equity interest in a then wholly-owned subsidiary On Legend Limited ("On Legend") at a cash consideration of HK$490. The disposal does not result in the loss of control on On Legend and is accounted for as an equity transaction with non-controlling interest.

33. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

	2020 **HK$'000**	2019 HK$'000
Trade creditors	**40,056**	23,136
Contract liabilities (Note (i))	**1,418**	1,577
Other payables and accruals	**52,921**	36,686
Rental received in advance	**6,578**	–
	100,973	61,399
Less: Amount shown under non-current liabilities		
Other payables	**(7,991)**	–
Rental received in advance	**(6,578)**	–
	(14,569)	–
Amount shown under current liabilities	**86,404**	61,399

33. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES (continued)

Aging analysis of trade creditors, based on invoice date or the date of recognition, is as follows:

	2020 HK$'000	2019 HK$'000
0 – 30 days	21,525	11,821
31 – 60 days	7,670	5,393
61 – 90 days	4,040	854
Over 90 days	6,821	5,068
	40,056	23,136

Note (i): Contract liabilities primarily relate to the advances received from customers for sale of goods. The advances remain as contract liabilities until they are recognised as revenue when control of goods is transferred to the customers. Typical payment terms which impact on the amount of contract liabilities are set out in Note 3.

Changes in the contract liabilities balances during the year are as follows:

	2020 HK$'000	2019 HK$'000
At the beginning of the year	1,577	1,850
Cash received	1,475	1,648
Recognised as revenue	(1,577)	(1,850)
Exchange realignment	(57)	(71)
At the end of year	1,418	1,577

HK$1,577,000 of the contract liabilities as at 1 July 2019 were recognised as revenue for the year ended 30 June 2020 from performance obligations satisfied during the year.

The contract liabilities as at 30 June 2020 were expected to be recognised as revenue in the next 12 months. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contract which has an original expected duration of one year or less is not disclosed.

34. BORROWINGS

	2020 HK$'000	2019 HK$'000
Current:		
Bank loans, secured	101,294	108,090
Other loans, secured	4,050	50,000
	105,344	158,090
Non-current:		
Bank loans, secured	19,294	–
Other loans, secured	50,000	–
	69,294	–

The effective interest rates for the bank loans ranged from 6.53% to 7.6% (2019: 6.53%) per annum. The average effective interest rate for other loans range from 10% to 11.5% (2019: 10% to 15.8%) per annum.

All borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

The Group's bank loans are secured by the pledge of certain investment properties and bank deposits amounting to HK$262,356,000 (2019: HK$187,260,000) and HK$2,191,000 (2019: HK$2,274,000) respectively; and corporate guarantees from the Company and its certain subsidiaries. The other loans are secured by the pledge of certain investment properties amounting to HK$48,100,000 (2019: HK$53,500,000) and corporate guarantees from the Company.

At 30 June 2020, total current and non-current bank loans were scheduled to repay as follows:

	2020 HK$'000	2019 HK$'000
On demand or within one year	101,294	108,090
More than one year, but not exceeding two years	658	–
More than two year, but not exceeding five years	18,636	–
	120,588	108,090

34. BORROWINGS (continued)

At 30 June 2020, total current and non-current other loans were scheduled to repay as follows:

	2020 HK$'000	2019 HK$'000
On demand or within one year	4,050	50,000
More than one year, but not exceeding two years	50,000	–
	54,050	50,000

35. PROMISSORY NOTES

On 30 April 2019, the Company issued promissory note with principal amount of HK$15,000,000 as the consideration to acquire 17% equity interest of Ocean Pride Ventures Limited (Note 46). The promissory note was unsecured, bear interest at 6% per annum and matured at 30 April 2021.

The promissory notes are initially recognised at their fair values at the dates of issue and subsequently measured at amortised cost using the effective interest method.

The movements of the promissory notes during the year are as follows:

	2020 HK$'000	2019 HK$'000
At 1 July	14,004	–
Issued at fair value (Note 46)	–	13,769
Imputed interest	797	235
Redemption	(7,000)	–
Interest paid	(81)	–
Loss on early redemption	531	–
At 30 June	8,251	14,004
Current portion	8,251	–
Non-current portion	–	14,004
	8,251	14,004

36. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and their movements:

	Investment properties	Accelerated tax depreciation	Properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2018	20,539	6,659	23,047	50,245
Charged/(credited) to profit or loss (Note 11)	9,866	(4,175)	(399)	5,292
Exchange realignment	(914)	(133)	(915)	(1,962)
At 30 June 2019 and 1 July 2019	29,491	2,351	21,733	53,575
Charged/(credited) to profit or loss (Note 11)	1,019	(2,309)	(191)	(1,481)
Charged to other comprehensive income	–	–	19,141	19,141
Exchange realignment	(1,104)	(42)	(997)	(2,143)
At 30 June 2020	**29,406**	**–**	**39,686**	**69,092**

As at 30 June 2020, the Group has unused tax losses of HK$249,149,000 (2019: HK$213,304,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

As at 30 June 2020 and 2019, the Group's subsidiaries established in the PRC have no unremitted earnings that are subject to withholding taxes.

37. SHARE CAPITAL

	Number of shares		Nominal value	
	2020	2019	**2020**	2019
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each:				
At beginning and end of the year	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning of the year	**2,374,532**	2,365,032	**23,745**	23,650
Issue of shares on exercise of share options (Note)	**–**	9,500	**–**	95
At end of the year	**2,374,532**	2,374,532	**23,745**	23,745

Note:

During the year ended 30 June 2019, 9,500,000 new ordinary shares of the Company of HK$0.01 each were issued upon the exercise of 9,500,000 share options at an exercise price of HK$0.355 per share (Note 38).

The exercise of the above share options gave rise to an aggregate proceeds of HK$3,372,000, net of expenses, of which HK$95,000 was credited to share capital and the remaining balance of HK$3,277,000 was credited to share premium account.

The exercise of the above share options also resulted in the transfer of HK$1,532,000 from share option reserve to share premium account.

All the new shares issued above rank pari passu in all respects with the existing shares.

38. SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a new share option scheme (the "**Scheme**") for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries of associated companies or such persons who from time to time are determined by the board of directors (the "**Board**") at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "**Participants**"), to strive for future developments and expansion of the Group. The Scheme will end on 17 December 2022.

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 237,453,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of the annual general meeting on 6 December 2019.

The following share options were outstanding under the scheme during the year:

	Weighted average exercise price 2020 HK$	**Number 2020**	Weighted average exercise price 2019 HK$	Number 2019
Outstanding at 1 July	**0.108**	**162,260,000**	0.355	84,580,000
Granted during the year	**0.100**	**53,800,000**	0.108	162,260,000
Lapsed during the year	**0.108**	**(24,040,000)**	0.355	(75,080,000)
Exercised during the year	**–**	**–**	0.355	(9,500,000)
Outstanding at 30 June	**0.106**	**192,020,000**	0.108	162,260,000

38. SHARE OPTION SCHEME (continued)

During the year ended 30 June 2020, the weighted average fair value of each option granted was HK$0.0282. The following information is relevant in the determination of the fair value of options granted under the Scheme operated by the Company.

	2020
Option pricing model used	Binomial
Weighted average share price at grant date	0.061
Exercise price	0.100
Weighted average contractual life	2 years
Expected volatility	110%
Expected dividend rate	0%
Risk-free interest rate	1.53%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on the daily share price on the grant date of the share options.

During the year ended 30 June 2020, 53,800,000 (2019: 162,260,000) share options were granted. Equity-settled share-based payment expenses amounted to HK$1,518,000 (2019: HK$8,414,000) was recognised in profit or loss accordingly. The 53,800,000 share options were vested and exercisable with the exercise price of HK$0.100. During the year ended 30 June 2020, 24,040,000 share options were lapsed. As at 30 June 2020, the Company had 192,020,000 share options outstanding under the Scheme (2019: 162,260,000).

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Interests in subsidiaries		631,881	697,488
Right-of-use assets		2,449	–
Total non-current assets		634,330	697,488
Current assets			
Deposits and prepayments		1,106	1,091
Bank balances and cash		2,201	1,471
Total current assets		3,307	2,562
Current liabilities			
Other advances and accrued charges		1,508	1,890
Lease liabilities		2,894	–
Promissory notes		8,251	–
Total current liabilities		12,653	1,890
Net current (liabilities)/assets		(9,346)	672
Non-current liabilities			
Promissory notes		–	14,004
Total non-current liabilities		–	14,004
Total net assets		624,984	684,156
EQUITY			
Capital and reserves			
Share capital	37	23,745	23,745
Reserves	40	601,239	660,411
Total equity		624,984	684,156

40. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 July 2018	1,823,623	763,907	(1,887,822)	13,507	713,215
Loss and total comprehensive income for the year	–	–	(64,495)	–	(64,495)
Share-based payment by granting share options	–	–	–	8,414	8,414
Exercise of share options	4,809	–	–	(1,532)	3,277
Lapse of share options	–	–	11,975	(11,975)	–
At 30 June 2019	1,828,432	763,907	(1,940,342)	8,414	660,411
Initial application of HKFRS 16 (Note 2)	–	–	(291)	–	(291)
At 1 July 2019 as restated	1,828,432	763,907	(1,940,633)	8,414	660,120
Loss and total comprehensive income for the year	–	–	(60,399)	–	(60,399)
Share-based payment by granting share options	–	–	–	1,518	1,518
Lapse of share options	–	–	1,198	(1,198)	–
At 30 June 2020	**1,828,432**	**763,907**	**(1,999,834)**	**8,734**	**601,239**

41. NON-CONTROLLING INTERESTS

During the years ended 30 June 2020 and 2019, Xin Bao has material non-controlling interests ("**NCI**"). The NCI of all other subsidiaries that are not wholly-owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCIs of Xin Bao in the respective years, before intra-group eliminations, is presented below:

2020

	Xin Bao HK$'000
STATEMENT OF FINANCIAL POSITION	
Current assets	6,836
Non-current assets	48,242
Current liabilities	(123,440)
Non-current liabilities	(7,895)
Net liabilities	(76,257)
Accumulated NCI	(7,915)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Revenue	1,681
Profit and total comprehensive income for the year	2,179
Profit allocated to NCI	(72)
Cash flows generated from operating activities	1,397
Cash flows used in financing activities	(1,356)
Net cash outflows	41

41. NON-CONTROLLING INTERESTS (continued)

2019

	Xin Bao HK$'000
STATEMENT OF FINANCIAL POSITION	
Current assets	580
Non-current assets	52,526
Current liabilities	(122,740)
Non-current liabilities	(8,803)
Net liabilities	(78,437)
Accumulated NCI	(8,142)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Revenue	–
Profit and total comprehensive income for the year	6,947
Profit allocated to NCI	372
Cash flows generated from operating activities	707
Cash flows used in financing activities	(711)
Net cash outflows	(4)

42. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of construction of:		
Buildings	**337,833**	22,756

43. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

The employees of the subsidiaries of the Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in profit or loss of HK$2,857,000 (2019: HK$5,668,000) represent contributions paid/payable to these schemes by the Group in the year. As at 30 June 2020, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2019: Nil).

44. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in these financial statements, the Group did not have other material transactions with related parties.

Members of key management personnel of the Group during the year comprised only of the directors whose remuneration is set out in Note 9.

45. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

Capital structure of the Group comprises equity plus debts raised by the Group, including borrowings and promissory notes, net with bank balances and cash. The Group's management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debts. No change was made in the objectives, policies or processes for managing capital during the year ended 30 June 2020.

The net debt to equity ratio at the end of reporting period was as follows:

	2020 HK$'000	2019 HK$'000
Debts	182,889	172,094
Less: bank balances and cash	(63,662)	(60,038)
Net debts	119,227	112,056
Total equity	1,008,866	1,114,021
Net debt to equity ratio	11.8%	10.1%

46. ACQUISITION OF ASSOCIATES

During the year ended 30 June 2019, the Group completed the acquisition of 17% equity interests in Ocean Pride and its subsidiaries (collectively the "**Ocean Pride Group**") at an aggregate nominal consideration of HK$15,000,000 which was satisfied in promissory notes of HK$15,000,000 in favour of the vendor by the Company upon the date of completion of acquisition.

The fair values of the consideration and identifiable assets and liabilities of the Ocean Pride Group attributable to the Group, as at the completion date of the acquisition, are as below:

	HK$'000
Fair value of consideration:	
Promissory notes issued (Note 35)	13,769
Fair value of identifiable assets and liabilities of Ocean Pride Group attributable to the Group	(8,777)
Goodwill	4,992

47. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORIES

The carrying amounts of the Group's financial assets and liabilities as recognised at 30 June 2020 and 2019 are analysed into the following categories.

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
– Debtors, other loans and receivables and deposits	**235,677**	220,536
– Bills receivable	**20**	4,261
– Pledged bank deposits	**2,191**	2,274
– Bank balances and cash	**63,662**	60,038
Financial assets at FVTPL		
– Equity investments	**8,768**	26,699
– Derivative financial assets	**–**	24
Financial liabilities		
Financial liabilities at amortised cost		
– Creditors, other advances and accrued charges	**92,977**	59,822
– Lease liabilities	**2,894**	–
– Borrowings	**174,638**	158,090
– Promissory notes	**8,251**	14,004

48. LITIGATION

During the year ended 30 June 2019, a subsidiary of the Company (the "**Subsidiary**") entered into a service agreement with a constructor (the "**Constructor**") in connection with the development of an industrial complex in Dongguan, the PRC.

During the year ended 30 June 2020, the Subsidiary resolved to suspend the development and accordingly terminated the service agreement without the consent of the Constructor. The Constructor took legal action against the Subsidiary for an aggregate compensation of RMB14,000,000 for the breach of the service agreement by the Subsidiary. On 20 March 2020, according to the first court judgement, the Subsidiary is liable for the payment of RMB14,000,000 to the Constructor. On 6 May 2020, the Subsidiary lodged an objection to appeal against the aforesaid court judgement. As at 30 June 2020 and up to the date of these financial statements, no court judgement with regard to the Subsidiary's appeal is made.

Notwithstanding an appeal was made, a provision of RMB14,000,000, equivalent to approximately HK$15,348,000 (Note 33) was made, as at 30 June 2020, in the financial statements.

Details of movements of the provision for litigation are as follows:

	2020 HK$'000
At the beginning of the year	–
Additions	15,514
Exchange realignment	(166)
At the end of the year	15,348

49. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 30 June 2019, the Group and certain independent third parties entered into sale and purchase agreements, pursuant to which the Group agreed to dispose of and the independent third parties agreed to purchase certain investment properties of the Group at an aggregate consideration of RMB11,260,000 (equivalent to approximately HK$13,700,000). As at 30 June 2019, the disposal of the investment had not been completed and these investment properties were classified as held for sale and measured at fair value at HK$13,119,000.

During the year ended 30 June 2020, the aggregate consideration of investment properties amounted to RMB11,260,000 (equivalent to approximately HK$12,535,000). Upon the completion of disposal in the current year, a loss on disposal of investment properties of HK$1,290,000 was recognised in profit or loss.

50. NOVEL CORONAVIRUS OUTBREAK

Since January 2020, the outbreak of Novel Coronavirus ("**COVID-19**") has impact on the business environment in the PRC and Hong Kong. Up to the date of this report, COVID-19 has not resulted in material impact to operating activities or financial performance and financial position of the Group. The manufacturing and trading business and leasing activities are almost operating normally during the pandemic and manufacturing activities has been fully resumed in March 2020. However, as COVID-19 continue to evolve, depending on the subsequent development and spread of COVID-19, it may have significant impact to the Group. The Group will continue to pay close attention to the development of COVID-19 and evaluate its impact arising.

51. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Interest payable on borrowings# HK$'000	Borrowings HK$'000	Promissory notes HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 July 2019	–	158,090	14,004	–	172,094
Effect on adoption of HKFRS 16	–	–	–	5,188	5,188
At 1 July 2019 (restated)	–	158,090	14,004	5,188	177,282
Changes from cash flows:					
Proceeds from new bank loans	–	121,897	–	–	121,897
Repayment of bank loans	–	(105,275)	–	–	(105,275)
Proceeds from other loans	–	10,000	–	–	10,000
Repayment of other loans	–	(5,950)	–	–	(5,950)
Interest element of lease rentals paid	–	–	–	(212)	(212)
Capital element of lease rentals paid	–	–	–	(2,294)	(2,294)
Interest paid	(14,901)	–	–	–	(14,901)
Total changes from financing cash flows:	(14,901)	20,672	–	(2,506)	3,265
Non-cash changes:					
Redemption of promissory notes (Note (i))	–	–	(7,081)	–	(7,081)
Total non-cash changes:	–	–	(7,081)	–	(7,081)
Exchange differences	–	(4,124)	–	–	(4,124)
Other changes:					
Imputed interest on promissory notes	–	–	797	–	797
Loss on early redemption of promissory notes	–	–	531	–	531
Interest expenses	14,901	–	–	212	15,113
Total other changes	14,901	–	1,328	212	16,441
At 30 June 2020	–	174,638	8,251	2,894	185,783

Note (i): During the year ended 30 June 2020, part of financial assets at fair value through profit or loss of HK$11,627,000 was used to redeem part of promissory notes with principal amount HK$7,000,000 and interest HK$81,000.

51. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Interest payable on borrowings# HK$'000	Borrowings HK$'000	Promissory notes HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 July 2018	433	126,141	–	–	126,574
Changes from cash flows:					
Proceeds from new bank loans	–	109,283	–	–	109,283
Repayment of bank loans	–	(112,734)	–	–	(112,734)
Proceeds from other loans	–	40,000	–	–	40,000
Interest paid	(13,647)	–	–	–	(13,647)
Total changes from financing cash flows:	(13,647)	36,549	–	–	22,902
Exchange differences	–	(4,600)	–	–	(4,600)
Other changes:					
Issue of promissory notes	–	–	13,769	–	13,769
Imputed interest on promissory notes	–	–	235	–	235
Interest expenses	13,214	–	–	–	13,214
Total other changes	13,214	–	14,004	–	27,218
At 30 June 2019	–	158,090	14,004	–	172,094

Interest payable on borrowings is included in creditors, other advances and accrued charges as presented in the consolidated statement of financial position.

PARTICULARS OF PROPERTIES

Properties held for investment	Type	Lease term
A factory complex erected on a parcel of land known as Lot No. 1924130100054 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Qiaozi Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Butian, Tangjiao District, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
Workshop 7 on 2nd Floor and Car Park No. L5 on 1st Floor Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong	Industrial	Medium
A factory complex erected on a parcel of land known as Lot No. Zhujiajiao Town 3-1 Qiu, located at No. 6118 of Huqingping Highway, Zhujiajiao Town, Qingpu District, Shanghai, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located in Beihuan Road, Changping Town, Dongguan City Guangdong Province, The PRC	Industrial	Medium
A factory complex erected on a parcel of land known as Lot No. 1924130100056 located at Songbaitang Village Changping Town Dongguan City Guangdong Province The PRC	Industrial	Medium
Stone Industry Base located at the eastern side of K17 Lingtang of Provincial Highway S287, Tangpeng Town, Lianjiang City, Guangdong Province, The PRC	Industrial	Medium

FINANCIAL SUMMARY

RESULTS

The Group

	Year ended 30 June 2020 HK$'000	Year ended 30 June 2019 HK$'000	Year ended 30 June 2018 HK$'000	Year ended 30 June 2017 HK$'000	Year ended 30 June 2016 HK$'000
Revenue	**288,271**	317,134	395,380	442,522	740,979
Loss before taxation	**(144,830)**	(297,291)	(80,307)	(71,743)	(272,020)
Taxation	**1,111**	(5,545)	(5,368)	(7,166)	(4,981)
Loss for the year	**(143,719)**	(302,836)	(85,675)	(78,909)	(277,001)
Loss attributable to:					
Owners of the Company	**(142,259)**	(301,963)	(85,639)	(70,197)	(274,945)
Non-controlling interests	**(1,460)**	(873)	(36)	(8,712)	(2,056)
	(143,719)	(302,836)	(85,675)	(78,909)	(277,001)

ASSETS AND LIABILITIES

	At 30 June 2020 HK$'000	At 30 June 2019 HK$'000	At 30 June 2018 HK$'000	At 30 June 2017 HK$'000	At 30 June 2016 HK$'000
Total assets	**1,380,109**	1,401,161	1,654,087	1,728,442	1,788,873
Total liabilities	**(371,243)**	(287,140)	(254,059)	(258,582)	(365,883)
	1,008,866	1,114,021	1,400,028	1,469,860	1,422,990
Attributable to:					
Owners of the Company	**1,017,371**	1,122,244	1,408,706	1,478,244	1,414,044
Non-controlling interests	**(8,505)**	(8,223)	(8,678)	(8,384)	8,946
	1,008,866	1,114,021	1,400,028	1,469,860	1,422,990