GREEN ENERGY GROUP LIMITED
綠色能源科技集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 979

Annual Report 2019/20

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Wong Sai Hung *(Chairman)*
(re-designated from Independent Non-Executive Director and appointed as Chairman on 1 December 2019)
Mr. Luo Xian Ping
(resigned as Chairman on 1 December 2019)
Mr. Ho Wai Hung

Independent Non-Executive Directors

Mr. Tam Chun Wa
Mr. Sze Cheung Pang
Mr. Lau Ka Wing
(appointed on 26 February 2020)

AUDIT COMMITTEE

Mr. Tam Chun Wa *(Chairman)*
Mr. Sze Cheung Pang
Mr. Lau Ka Wing
(appointed on 26 February 2020)
Mr. Wong Sai Hung
(re-designated as Executive Director and ceased to be a member of Audit Committee on 1 December 2019)

REMUNERATION COMMITTEE

Mr. Tam Chun Wa *(Chairman)*
Mr. Sze Cheung Pang
Mr. Lau Ka Wing
(appointed on 26 February 2020)
Mr. Wong Sai Hung
(re-designated as Executive Director and ceased to be a member of Remuneration Committee on 1 December 2019)

NOMINATION COMMITTEE

Mr. Wong Sai Hung *(Chairman)*
Mr. Tam Chun Wa
Mr. Sze Cheung Pang

COMPANY SECRETARY

Mr. Ng Chi Keung
(appointed on 30 December 2019)
Mr. Tso Sze Wai
(resigned on 30 December 2019)

AUDITOR

Cheng & Cheng Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited
Bank of Communications Co Ltd (HK Branch)
Chiyu Banking Corporation Ltd.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

4C Derrick Industrial Building
49 Wong Chuk Hang Road
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Codan Corporate Services (Bermuda) Limited
Clarendon House
2 Church street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

STOCK CODE

979

WEBSITE

http://www.greenenergy.hk

Chairman's Statement

On behalf of the board of directors (the "**Board**") of Green Energy Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present the annual report of the Group for the financial year ended 30 June 2020 ("**FY2020**").

PRINCIPAL BUSINESS

During FY2020 the Group has engaged in the (a) trading of renewable energy, (b) waste construction materials and waste processing service, (c) plastic recycling/metal scrap and (d) money lending business. An analysis of the above segments can be found in note 5 of the audited consolidated financial statements.

FINANCIAL PERFORMANCE

The Group's total revenue for FY2020 was approximately HK$113.9 million (FP2019: HK$97.0 million) representing an increase of 17.4% as compared with that for the eighteen months ended 30 June 2019 ("**FP2019**"). It was mainly resulted from the increase in revenue from the renewable energy sector. Further details of the financial analysis for FY2020 have been included in the Management Discussion and Analysis section of the report.

SEGMENT INFORMATION

CONTINUING OPERATIONS

(a) Renewable Energy – trading of oil/biodiesel

The Group recorded a revenue of HK$99.3 million from the trading of recyclable oil/biodiesel for FY2020 (FP2019: HK$75.2 million).

The steady upward trend in the price of biodiesel in 2019 and its rocketing to a record-high in January 2020 brought impetus to the increase in sales revenue of recyclable oil/biodiesel. On the other hand, the Group has successfully expanded its customer base into new European markets such as Portugal and United Kingdom. Besides its past focus in European market, the Group had increased its sales revenue through diversification into Asian markets such as Malaysia.

However, the trading of recyclable oil/biodiesel nearly came a halt in February and March 2020 with the imposition of lockdown measures in cities of China and Europe confronting the ramp-up of COVID-19 pandemic. Both the operations of supply chain and sales network were thus seriously disrupted. The sales started to recover in April to May 2020 when different countries were gradually easing their lockdown measures.

Chairman's Statement

(b) Waste construction materials and waste processing service

The revenue of this business segment involves the collection and recycling of waste construction materials and the sale of recycled construction materials. The turnover arising from this sector was approximately HK$4.9 million for FY2020 (FP2019: HK$5.2 million). Under the long established trust and relationship with the local construction companies and government authorities, the Group had built up our reputation for quality products in the region. The Group had tried to widen our product types to the satisfaction of our customers.

(c) Plastic recycling/metal scrap

The business segments had experienced a tough year, which recorded a revenue of HK$6.7 million for FY2020 (FP2019: HK$13.0 million). The bearish movement of crude oil price had brought the price of virgin grade plastic to historic lows, and the price of standard plastic has further dropped to the lowest rate of the last 10 years in April 2020. As a result of this, the price advantage of recycled plastics in comparison to primary products disappears or even goes into reverse.

Due to the COVID-19 pandemic, industrial demand for plastic recyclates is in freefall the world over. The exchange of recyclates in the European market is severely hampered by the restrictions on crossing the border. Export logistics can only be kept going with considerable disabilities or delays. The COVID-19 pandemic has piled on top of existing plastics recycling market strife to cause pricing fluctuations and uncertainties. It has added health and safety concerns, employment shortages and a general slowdown in manufacturing.

After the launching of anti-pollution campaign by China in 2018, several Southeast Asian countries had also taken actions to ban or regulate imports of plastic waste in order to protect themselves against the plastic scourge. To take this business opportunity, the Group had formed a joint venture to invest in Japan on high-grade plastic waste recycling and processing. Due to the COVID-19 pandemic, the completion of machine installation and its live run has been postponed to the second quarter of 2020.

Confronting the adverse market situation, the Group has taken actions to expand its product types and customer base, as well as strengthen our co-operation with trading agents and business partners.

Chairman's Statement

(d) **Money lending business**

The turnover arising from this sector was approximately HK$2.9 million for FY2020, the management has adopted a prudent approach in identifying borrowers which can provide the Group with stable fixed income under an acceptable risk level. The intensified US-China tensions under the raging trade war alongside the COVID-19 crisis imbued the global economy with a sense of pessimism that it is heading into a recession. The Group had taken more conservative approach to shorten the loan extended tenor in order to ensure the recoverability of the loan. Please refer to the Company announcement dated 23 April 2020 for more details. No outstanding loan and interest receivables existed as at 30 June 2020.

PROSPECTS

Despite the daunting challenges posed by the COVID-19 epidemic, the increase in sales revenue in renewable energy business still showed its leading position and prospect amongst various business segments of the Group. Biodiesel has received increasing attention worldwide as a blending component or a direct replacement for diesel fuel in vehicle engines. It is a global trend to develop the biodiesel as a renewable, sustainable and environmental-friendly energy alternative.

On the other hand, greater awareness of sustainability and customers' desire for environmentally-friendly products have increased demand for recycled plastics. Different countries face a dilemma on how to deal with the millions of tonnes of waste generated every year, amid a growing number of bans and tougher international rules on the export of certain waste to other countries. The Group has thus developed plastic scrap recycling plants in both Germany and Japan to leverage the Group's resources and experience to seize the market opportunities.

BUSINESS OUTLOOK

The COVID-19 pandemic is a human crisis of historic scale and complexity, and it imposed the largest economic shock the world has experienced in decades. The COVID-19 crisis is a transformative event, and it affects the global economy in unexpected ways. Although the acute phases of the pandemic seem to pass, the transition phase between containment and full economic recovery may last up to 12 to 18 months during which the economy is expected to be highly volatile. Following the gradual easing of lockdown restriction in most of the countries, governments worldwide are providing unprecedented support to individuals, businesses and financial markets to boost economic recovery. COVID-19 is testing the adaptability of businesses, governments, and entire societies.

The outbreak of Sino-US trade war since 2018 and the escalating of trade protectionism had leaded to great fluctuation in the global economy and capital markets. Although the outbreak of COVID-19 pandemic has diverted the focus of the globe, it brought the tension between US and China to the fore. The crisis has reinforced the view that the US is too dependent on Chinese-based supply chains. The heightened tensions between US and China may prolong the trade war which will further disrupt the global supply chains and slow the post-COVID-19 economic recovery.

Chairman's Statement

Looking ahead to the future, the management of the Group will leverage its operational excellence to mitigate possible risks and deliver consistent performance under such severe conditions on the global economy. The Group will take a more prudent and cautious approach in its investment evaluation with an aim to broaden its revenue stream. The Group will also exercise disciplined expense and payment control to optimize its liquidity and financial health.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my appreciation to all our shareholders, customers and business associates for their continued support throughout the years. I would also like to express my gratitude to our management and staff for their dedication and loyalty to the Group.

Wong Sai Hung
Chairman and Executive Director

Hong Kong, 29 September 2020

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Sai Hung, aged 65, was appointed as independent Director of the Company on 21 June 2018. Mr. Wong was re-designated as an Executive Director and was appointed as Chairman of the Company on 1 December 2019. Mr. Wong graduated from The Hong Kong Polytechnic University with a Higher Diploma in Business Studies in October 1977. He has been a director of One Asset Management Limited, a company incorporated in Thailand, since 1992. Mr. Wong was an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., a company which is listed on the Main Board of the Stock Exchange (Stock Code: 2318), from June 2013 to July 2019. He has also been an independent non-executive director of JP Morgan Chinese Investment Trust plc, which is listed on the London Stock Exchange, with effect from August 2014. Mr. Wong was a non-executive director of Ping An Securities Group (Holdings) Limited, a company which is listed on the Main Board of the Stock Exchange (Stock Code: 0231), from February 2018 to July 2018. Mr. Wong was an executive director of LW Asset Management Advisors Limited, which is an investment management company registered under the Securities and Futures Commission of Hong Kong, from April 2013 to April 2014. Mr. Wong was an independent non-executive director of Hong Kong Exchanges and Clearing Limited, a company which is listed on the Main Board of the Stock Exchange (Stock Code: 0388), from April 2003 until his retirement in April 2016. During the period from June 2008 to November 2017, he held various senior positions (including chairman, vice-chairman, executive director and non-executive director) with China Regenerative Medicine International Limited ("**China Regenerative Medicine**") (formerly known as China Bio-Med Regeneration Technology Limited), a company which is listed on GEM of the Stock Exchange (Stock Code: 8158), and he was an executive director and the vice-chairman of China Regenerative Medicine before his resignation in November 2017. Mr. Wong was a non-executive director of Chong Sing Holdings FinTech Group Limited (formerly known as Credit China FinTech Holdings Limited), a company which is listed on GEM of the Stock Exchange (Stock Code: 8207), from March 2014 to February 2018.

Mr. Wong was a non-executive director of ARN Investment SICAV, a company which is listed on the Luxembourg Stock Exchange, from June 2010 to January 2014. He was the chief executive officer of ICBC (Asia) Investment Management Company Limited from 2008 to 2011. Mr. Wong was also the chief executive officer of BOCI-Prudential Asset Management Limited, a joint venture between Bank of China International and Prudential of the United Kingdom, during 2001 to 2005, and was the regional managing director of Prudential Portfolio Managers Asia during 1999 and 2000 when the aforesaid joint venture started. In addition, he held various senior positions at LGT Asset Management from 1977 to 1998.

Biographical Details of Directors and Senior Management

Mr. Luo Xian Ping, aged 56, holds a bachelor degree in Business Management from Jiangxi University and a master degree in Business Management from the Graduate School of Chinese Academy of Social Sciences University. Mr. Luo is also a Certified Public Accountant registered in the People's Republic of China ("**PRC**") and a Certified Public Valuer in the PRC.

Mr. Luo has over 14 years' experience in assets restructuring and corporate finance. Mr. Luo served as the chief executive officer of China Regenerative Medicine International Limited ("**CRMIL**") (formerly known as China Bio-Med Regeneration Technology Limited), a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (stock code: 8158), from December 2009 to August 2012 and its executive director from March 2009 to August 2012. He is currently the chairman of the board of directors of FDC Group Limited and the executive director of C.H.M.T. Peaceful Development Asia Fund Limited. From 1998 to 2001, he served as an executive director of China Securities Co., Ltd.* (華夏證券股份有限公司), responsible for corporate assets restructuring and human resources management. He has served as an executive director of Kaili Asset Servicing Company Limited* (北京凱利資產服務有限公司) (in partnership with Morgan Stanley). From 1995 to 1998, Mr. Luo was the vice-secretary for Youth Executive President Committee (青年總裁委員會) of National State-owned Asset Administration Bureau and worked as a general manager in Beijing Assets Valuation Company Limited.

Mr. Ho Wai Hung, aged 43, obtained an Advanced Diploma in Accounting and Finance from the University of Greenwich in 2010. He is experienced in accounting and finance, and the money lending business. He had worked with various money lending companies in Hong Kong, in which he was responsible for roles in the accounting and finance functions. With effect from February 2017 to February 2018, Mr. Ho was the assistant to finance director at the subsidiaries of Superactive Group Company Limited (formerly known as United Pacific Industries Limited) (Stock Code: 176), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Chun Wa, aged 56, is currently the chief financial officer, the company secretary and the authorized representative of Perfect Group International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3326) and a Director of a subsidiary of Perfect Group International Holdings Limited. He was the Executive Director of Chinasing Investment Holdings Limited from April 2008 to August 2015, a company whose shares were listed on the Main Board of Singapore Exchange Limited. Mr. Tam obtained a Master degree of Business Administration from the University of Sydney. He is also a member of Hong Kong Institute of Certified Public Accountants, CPA (Australia) and Institute of Singapore Chartered Accountants. Mr. Tam has more than 30 years in the areas of auditing, accounting, tax, investment banking and company secretarial works. He has been an independent Director since 24 August 2011.

Biographical Details of Directors and Senior Management

Mr. Sze Cheung Pang, aged 76, is currently the chairman of the board of directors of Geyung Group (International) Company Limited and Geyung (Real Estates) Company Limited. From December 2009 to August 2012, Mr. Sze served as a non-executive director of CRMIL.

In 2003, Mr. Sze was awarded the Bronze Bauhinia Star by the Government of Hong Kong Special Administrative Region ("**HKSAR**"). He was a member of the first, third and fourth Election Committee of HKSAR for the election of Chief Executive and a member of the eighth to eleventh National Committee of the Chinese People's Political Consultative Conference. He was also a deputy director of Hong Kong, Macao, Taiwan and Overseas Chinese Committee of the CPPCC National Committee and the permanent honorary president of the Hong Kong Eastern District Community Association* (香港東區各界協會).

Further, Mr. Sze is a standing director of China Council for the Promotion of Peaceful National Reunification, the honorary president of the Hong Kong Association for Promotion of Peaceful Reunification of China Limited, the standing director of the China, Hong Kong, Macao and Taiwan Compatriots Peaceful Development Federation, the founding president of the Association of Chinese Culture of Hong Kong, the founding president of the General Association for the Promotion of Cross-Strait Peaceful Development of Hong Kong Ltd., the special research fellow on the Chinese United Front Theory Study, the president of the Hong Kong Chinese Culture Development Research Federation, the honorary president of the Fukienese Association Ltd., and the advisor to the Hong Kong Fujianese Societies Association.

Mr. Lau Ka Wing, aged 36, was appointed as independent Director of the Company on 26 February 2020. Mr. Lau obtained a Bachelor of Arts (Honours) in Accountancy and a Master of Corporate Governance from The Hong Kong Polytechnic University in 2005 and 2016, respectively. He has been a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") since 2009, a practicing member of the HKICPA since 2015 and a fellow member of the HKICPA since 2017. He has also been an associate of the Hong Kong Institute of Chartered Secretaries and an associate of the Institute of Chartered Secretaries and Administrators since 2017. Mr. Lau is experienced in the accounting and audit fields. He joined HLB Hodgson Impey Cheng Limited in February 2006 and left as a manager in October 2014. Mr. Lau has been the sole proprietor of Lau Ka Wing Certified Public Accountant since March 2015, and a practising director of Unity CPA Limited since August 2019. Mr. Lau is currently independent non-executive director of Founder Holdings Limited (stock code: 418) and Peking University Resources (Holdings) Company Limited (stock code: 618), both companies are listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Ng Chi Keung, aged 56, was appointed as the Chief Financial Officer and Company Secretary of the Group in December 2019. Mr. Ng is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. He holds a Master degree in Business Administration from the University of Manchester in the United Kingdom. Mr. Ng has over 20 years of experience in auditing, accounting and financial management.

Management Discussion and Analysis

FINANCIAL REVIEW

INCOME

During the year, the Group has engaged in (a) renewable energy, (b) waste construction materials and waste processing service, (c) plastic recycling/metal scrap and (d) money lending business. The Group's total revenue for the year ended 30 June 2020 ("**FY2020**") was approximately HK$113.9 million (the eighteen months ended 30 June 2019 ("**FP2019**"): approximately HK$97.0 million) representing an increase of approximately HK$16.9 million, or approximately 17.4% as compared with that for FP2019. It was mainly resulted from the increase in revenue from the renewable energy sector.

(a) **Renewable Energy**

The Group recorded a revenue of HK$99.3 million from the trading of recyclable oil/biodiesel for FY2020 (FP2019: approximately HK$75.2 million) due to the expansion in new European markets and diversification into Asian markets.

(b) **Waste Construction Materials and Waste Processing Service**

The revenue arising from waste construction material sector for FY2020 was approximately HK$4.9 million (FP2019: approximately HK$5.2 million) representing a decrease of approximately 5.8% compared with FP2019.

(c) **Plastic Recycling/Metal Scrap**

The revenue arising from plastic recycling/metal scrap sector for FY2020 was approximately HK$6.7 million (FP2019: approximately HK$13.0 million) representing a decrease of approximately 48.5% compared with FP2019. The competitive edge of recycled plastics over the virgin plastics has disappeared under the impact of plummeting crude oil price. Our plastic recycling plant has been forced to curb operations during the COVID-19 pandemic due to the lockdown restrictions in Europe and its economic fallout.

(d) **Money Lending Business**

The revenue generated from money lending business for FY2020 was approximately HK$2.9 million (FP2019: approximately HK$3.6 million).

Management Discussion and Analysis

EXPENDITURE

For FY2020, total expenditures excluding finance costs were recorded at HK$40.2 million (FP2019: HK$43 million).

The net loss attributable to the owners of the Company for FY2020 was approximately HK$26.3 million (FP2019: the net loss was approximately HK$25.9 million), representing an increase of 1.5% as compared with FP2019. The increase in loss was mainly resulted from (i) impairment loss of HK$3.3 million on asset valuations for the waste construction material and waste processing services segment under the impact of COVID-19 pandemic, in contrast to a reversal of impairment loss of property, plant and equipment of HK$2.3 million for FP2019; (ii) increase in loss in plastic recycling segment under the adverse impact of the plummeting crude oil price and slump in industrial demand for plastic recyclates facing the COVID-19 pandemic.

The loss for the year was mitigated by (i) reversal of impairment loss on loan and interest receivable amounted to HK$1 million; (ii) decrease in repair and maintenance expenses for our plastic recycled production facilities in Germany in FP2019 due to reduction in production volume under the COVID-19 pandemic.

The finance cost for FY2020 was mainly derived from interest recognised on the lease liabilities upon the adoption of HKFRS 16.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity, Financial Resources and Cashflow

As at 30 June 2020 the Group had total current assets of approximately HK$78.7 million (as at 30 June 2019: approximately HK$75.8 million) and the total current liabilities were approximately HK$8.2 million (as at 30 June 2019: approximately HK$4.9 million). The current ratio of the Group was approximately 9.6 (as at 30 June 2019: approximately 15.5). The Group has sufficient funds to settle its debts.

As at 30 June 2020 the Group had total assets of approximately HK$109.3 million (as at 30 June 2019: approximately HK$110.5 million). The Group did not have external borrowing for both FY2020 and FP2019.

Placing of New Shares

On 5 July 2019, after trading hours, the Company entered into the placing agreement with the placing agent pursuant to which a placing agent conditionally agreed to place up to 189,380,000 placing shares to not less than six placees who were professional investors, who and whose ultimate beneficial owners were independent third parties at the placing price of HK$0.12 per placing share. The placing price of HK$0.12 per placing share represented a discount of approximately 19.46% to the closing price of HK$0.149 per share as quoted on the Stock Exchange on 5 July 2019.

The placing was completed on 24 July 2019. 189,380,000 placing shares were successfully placed at a price of HK$0.12 per share pursuant to the placing agreement. The aggregate nominal value of the placing shares was HK$18,938,000. The aggregate gross and net proceeds from the placing were approximately HK$22.73 million and approximately HK$22.50 million respectively. The net price to the Company of each placing share, which was calculated by dividing the aggregate net proceeds from the placing by the total number of placing shares, was approximately HK$0.119.

As at 30 June 2020, the net placing proceeds were applied as to (i) approximately HK$6 million for the existing plastic recycling business in Germany; (ii) approximately HK$4 million for the development of new plastic recycling business in Japan; (iii) approximately HK$4.5 million as general working capital of the Group. The above net placing proceeds have been utilized as intended. Approximately HK$8 million originally planned for future expansion of the existing renewable energy business of the Group and future business opportunities to be identified by the Company was yet to be utilized, and it was maintained in an account with a reputable licensed financial institution. The unused net placing proceeds is expected to be utilized on or before 30 June 2021, as disclosed in the announcement dated 10 September 2020 of the Company.

Management Discussion and Analysis

Foreign Exchange Exposure

The ordinary operations and investments of the Group are mainly in Hong Kong, Germany and Japan, with revenue and expenditures denominated in US dollars, euro and Japanese yen. The operating results of the Group may be affected by the volatility of foreign currencies. The Group will review its foreign exchange exposures regularly and may consider using financial instruments to hedge against such exposures at appropriate times. As at 30 June 2020, there were no derivative financial instruments employed by the Group.

Seasonal or Cyclical Factors

During FY2020, the Group's business operations are not significantly affected by any seasonal and cyclical factor.

Material Acquisition and Disposal

Save for disclosed in the notes 32 to 34 to the consolidated financial statements, there was no other material acquisition or disposal of the Company's subsidiaries and associated companies for FY2020.

Capital Commitments

As at 30 June 2020, the Group did not have any material capital commitment (as at 30 June 2019: Nil).

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities.

EMPLOYEES

As at 30 June 2020 the Group had 30 employees (as at 30 June 2019: 25 employees) in Hong Kong, the PRC, Germany and Japan.

The Group offered competitive remuneration package as an incentive to staff for career advancement and improvements. The Company has in place a share option scheme as a mean to encourage and reward the eligible employees' (including directors of the Company) contributions to the Group's results and business development based on their individual performance.

The employees' remuneration, promotion and salary are assessed by reference to work performance, working experiences and professional qualifications and the prevailing market practice.

Directors' Report

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2020 to all the shareholders.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATION

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities.

Segmental information of the Group was disclosed in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 30 June 2020 are set out in the consolidated statement of comprehensive income on page 64.

The Directors do not recommend the payment of a dividend for the year.

BUSINESS REVIEW

Further discussion and analysis of business activities of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are set out in the Chairman's Statement on pages 3 to 6 and Management Discussion and Analysis on pages 10 to 13 of this annual report. These discussions form part of this directors' report.

The financial risk management objectives and policies of the Group are shown in note 37 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicator is set out in the Five Years Financial Summary and Management Discussion and Analysis on page 160 and pages 10 to 13 of this annual report respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 30 June 2020 comprised contributed surplus of HK$56,897,000 (as at 30 June 2019: HK$56,897,000).

Directors' Report

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

SHARE CAPITAL

Details of movements of the Company's share capital during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of change in equity on page 68 of the annual report and in note 40(b) to the consolidated financial statements, respectively.

DIRECTORS

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

Executive Directors

Mr. Wong Sai Hung *(Chairman)*
(re-designated from Independent non-executive Director and appointed as Chairman on 1 December 2019)
Mr. Luo Xian Ping *(resigned as Chairman on 1 December 2019)*
Mr. Ho Wai Hung

Independent non-executive Directors

Mr. Tam Chun Wa
Mr. Sze Cheung Pang
Mr. Lau Ka Wing *(appointed on 26 February 2020)*

In accordance with Clause 102(B) of the Company's Bye-laws, Mr. Lau Ka Wing will hold office only until next following general meeting and will then be eligible and will offer himself for re-election at the Annual General Meeting.

In accordance with Clause 99 of the Company's Bye-Laws, Mr. Luo Xian Ping and Mr. Ho Wai Hung retire by rotation and being eligible, offer themselves for re-election.

No 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).

Directors' Report

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 30 June 2020, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares, or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share Option Scheme

Particulars of the Company's share option scheme are set out in note 30 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Sai Hung has entered into a service contract with the Company commencing from 1 December 2019 to 30 November 2021, and the service contracts are subject to renewal after expiration.

Mr. Luo Xian Ping has entered into a service contract with the Company commencing from 1 January 2020 to 31 December 2021, and the service contracts are subject to renewal after expiration.

Mr. Ho Wai Hung has entered into a service contract with the Company commencing from 12 March 2020 to 11 March 2022, and the service contracts are subjected to renewal after expiration.

Mr. Tam Chun Wa, Mr. Sze Cheung Pang and Mr. Lau Ka Wing as the independent non-executive directors have a two year service contracts with the Company and the service contracts are subject to renewal after expiration.

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

Directors' Report

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" of this Directors' Report, no transactions, arrangements or contract of significance to which any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors as at the date of this Directors' Report are set out on pages 7 to 9.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	33%
– five largest customers combined	64%
Purchase	
– the largest supplier	95%
– five largest suppliers combined	98%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

MANAGEMENT CONTRACT

There was no contracts concerning the management and administration of the whole or any substantial part of business during the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS

As at 30 June 2020, as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests and short positions disclosed above in respect of the Directors and chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company:

Substantial shareholders – long position in the shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Approximate percentage of total issued share capital of the Company *(Note 1)*
New Glory Business Corporation	Beneficial owner	267,829,436	–	23.57%
Rich Bay Global Limited ("**Rich Bay**") *(Note 2)*	Beneficial owner	147,244,000	–	12.96%
Superactive Asset Management Limited ("**Superactive**") *(Note 2)*	Interest of a controlled corporation	147,244,000	–	12.96%
Lee Chi Shing Caesar *(Note 2)*	Interest of a controlled corporation	147,244,000	–	12.96%
Yeung So Lai *(Note 2)*	Interest of a controlled corporation	147,244,000	–	12.96%

Notes:

1. The approximate percentage of total issued share capital calculation was based on the total number of ordinary shares of the Company in issue as at 30 June 2020, i.e. 1,136,308,176 shares.

2. Based on the notices of disclosure of interests of Rich Bay, Superactive, Lee Chi Shing Caesar and Yeung So Lai filed with the Stock Exchange on 5 March 2018, such shares of the Company were held by Rich Bay, which was wholly-owned by Superactive. Superactive which was in turn owned as to 45% by Lee Chi Shing Caesar and as to 55% by Yeung So Lai. As such, each of Lee Chi Shing Caesar and Yeung So Lai was deemed to be interested in the shares of the Company held by Rich Bay by virtue of the SFO.

Save as disclosed above, as at 30 June 2020, no person (other than the Directors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Report

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company still considers all of the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 21 to 34 of the annual report of the Company for the year.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the audit committee of the Company ("**Audit Committee**") are set out in the code provision C.3.3 of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), which were in force prior to 1 January 2009.

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scopes of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Tam Chun Wa as chairman, Mr. Sze Cheung Pang, and Mr. Lau Ka Wing as a member.

The Audit Committee had reviewed the audited results of the Group for the year.

CONNECTED TRANSACTIONS

During the year, the Group had connected transactions, certain details of which have been disclosed in note 36 to the consolidated financial statements and which have been disclosed in this paragraph are connected transactions or as the case may be, continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

EMOLUMENT POLICY

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

The emoluments of the Directors are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company was adopted a share option scheme as an incentive to Directors, employees and other eligible participants, details of the scheme is set out in note 30 to the consolidated financial statements.

ENVIRONMENTAL PROTECTION

The Group promotes environmental protection by raising the employees' awareness of resources saving and efficient use of energy. In recent years, the Group has implemented several policies to encourage employees for saving energy and paper. All these policies aim at reducing resources and saving costs which are beneficial to the environment and meet the commercial goals of the Group.

Directors' Report

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Group upholds high standards of operating practices and complies with the relevant standards. The Group has stringent requirements to maintain high levels of quality control and responsible business practices. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

The Group values mutually beneficial long standing relationships with its suppliers and customers. The Group aims at delivering high quality products to its customers and developing mutual trust among its suppliers.

PRE-EMPTIVE RIGHTS

There are no provision 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.

PURCHASE, SALE OR REDEMPTION OF SHARES OR CONVERTIBLE REDEEMABLE BONDS

The Company did not redeem any of its shares during the year under review. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float.

INDEMNITY OF DIRECTORS

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout this year.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Cheng & Cheng Limited as auditor of the Company.

On behalf of the Board

Wong Sai Hung
Chairman

Hong Kong, 29 September 2020

Corporate Governance Report

COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness. The board ("**Board**") of directors ("**Directors**") of the Company ensures that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has adopted the requirements under the Code Provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with the Code Provisions in the CG Code throughout the year ended 30 June 2020 (the "**year under review**"), save for the deviations from the code provisions A.2.1, Rules 3.10(1) and 3.21 discussed below. The following sections set out a discussion of the corporate governance practices adopted and observed by the Company, including any deviations therefrom, during the year under review.

A. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own securities dealing code for the Directors. All the Directors confirmed, upon specific enquiry made by the Company on them, that they had complied with the required standard set out in the Model Code regarding their securities transactions.

B. Board of Directors

(i) Board composition

The Board currently comprises a combination of executive Directors and independent non-executive Directors. As at 30 June 2020, the Board consisted the following Directors:

Executive Directors
Mr. Wong Sai Hung
Mr. Luo Xian Ping
Mr. Ho Wai Hung

Independent non-executive Directors
Mr. Tam Chun Wa
Mr. Sze Cheung Pang
Mr. Lau Ka Wing

Schedules of matters reserved for the Board include:

- To formulate overall strategy of the Company and its subsidiaries (the "**Group**")
- To monitor its financial performance and maintains effective oversight over the management
- To control and approve transactions which are extraordinary and significant to the Group as a whole

Corporate Governance Report

B. Board of Directors – continued

(ii) Board meetings and attendance record

The Company held seven board meetings and one general meeting during the year under review. The attendance record of the Board meetings are as follows:

	Attendance/Number of meeting(s) held	
Members of the Board	**Board meetings**	**General meeting**
Executive Directors		
Mr. Wong Sai Hung *(Chairman)* *(Note 1)*	3/3	1/1
Mr. Luo Xian Ping	7/7	1/1
Mr. Ho Wai Hung	7/7	1/1
Independent non-executive Directors		
Mr. Tam Chun Wa	7/7	1/1
Mr. Sze Cheung Pang	4/7	1/1
Mr. Wong Sai Hung *(Note 1)*	4/4	1/1
Mr. Lau Ka Wing *(Note 2)*	1/1	N/A

Notes:

1. Mr. Wong Sai Hung re-designated from an independent non-executive Director to an executive Director on 1 December 2019.

2. Mr. Lau Ka Wing appointed as an independent non-executive Director on 26 February 2020.

Corporate Governance Report

B. Board of Directors – continued

(iii) Independent non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors during the year under review, except for the following:

Non-compliance with Rules 3.10(1) and 3.21 of the Listing Rules

Following the re-designation of Mr. Wong Sai Hung from an independent non-executive Director to an executive Director, his appointment as the Chairman and the cessation as a member of each of the Audit Committee and the Remuneration Committee on 1 December 2019, the Company had only two independent non-executive Directors and two members in each of the Audit Committee and the Remuneration Committee, hence failing to meet the requirement of having:

(a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; and

(b) the audit committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules.

However, following the appointment of Mr. Lau Ka Wing as an independent non-executive Director and a member of each of the Audit Committee and the Remuneration Committee on 26 February 2020, the Company has complied with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules.

All independent non-executive Directors brought their wealth of experience to the Board and made active contribution to the Group. They closely monitored the developments of the Group and freely expressed their opinions at board meetings. Mr. Tam Chun Wa and Mr. Lau Ka Wing, independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Corporate Governance Report

B. Board of Directors – continued

(iii) Independent non-executive Directors – continued

None of the independent non-executive Directors, has any business or financial interests with the Group and each of them has confirmed their independence to the Group pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all independent non-executive Directors were independent.

(iv) Relationship among members of the Board

There is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board. All of them are free to exercise their independent judgment.

(v) Directors' Continuous Professional Development

The Group regularly updates Directors on the latest development regarding the Listing Rules and other applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties. In addition, the Company has been encouraging Directors to attend seminars on the latest development of applicable laws, rules and regulations so that they can continuously update and further improve their relevant knowledge and skills.

According to the records provided by the Directors, the training received by each of the Directors during the year under review is summarized as follows:

	Type of continuous professional development training *(notes)*
Directors	
Executive Directors	
Mr. Wong Sai Hung	A and B
Mr. Luo Xian Ping	B
Mr. Ho Wai Hung	A and B
Independent non-executive Directors	
Mr. Sze Cheung Pang	B
Mr. Tam Chun Wa	A and B
Mr. Lau Ka Wing	A and B

Notes:

A: Attending seminar(s) or training session(s)

B: Reading newspapers, journals and updates relating to the Company's business or Directors' duties and responsibilities, the latest development of the Listing Rules and other applicable regulatory requirements etc.

Corporate Governance Report

B. Board of Directors – continued

(vi) Board Diversity Policy

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All board appointment will be made based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board is characterized by significant diversity, in terms of gender, professional and educational background and skills.

C. Chairman and Chief Executive Officer

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has not appointed a chief executive officer. The role of the chief executive officer was performed by Mr. Wong Sai Hung, who was also the chairman of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board will periodically review the merits and demerits of such management structure and will adopt such appropriate measures as may be necessary in the future taking into consideration of the nature and extent of the Group's operation.

D. Remuneration of Directors

The Company established a remuneration committee on 21 December 2005. Members of the remuneration committee as at 30 June 2020 comprised Mr. Tam Chun Wa, Mr. Sze Cheung Pang and Mr. Lau Ka Wing. Mr. Tam Chun Wa is the chairman of the remuneration committee. All votes in the remuneration committee are exercisable by independent non-executive Directors. No Directors will be involved in any discussion in connection with his own remuneration.

The main duties of the remuneration committee are as follows:

– To determine the remuneration policy of the Group
– To determine the remuneration of executive Directors regarding their remuneration
– To review annually and take note of the remuneration trends of the Group and obtain reliable and up-to-date information about remuneration packages of other closely comparable companies

Corporate Governance Report

D. Remuneration of Directors – continued

It is the Company's policy that the remuneration package of each Director shall be determined by reference to their experience, qualification and the time expected to be devoted by them on the affairs of the Company.

The remuneration committee held three meetings during the year under review.

Members of the Remuneration Committee	**Attendance/ Number of meeting(s) held**
Mr. Tam Chun Wa	3/3
Mr. Sze Cheung Pang	2/3
Mr. Wong Sai Hung*	1/1
Mr. Lau Ka Wing *(appointed on 26 February 2020)*	0/0

* re-designated as executive Director and ceased to be a member of Remuneration Committee on 1 December 2019

Upon the determination of the old share option scheme, the Company has adopted a new share option scheme on 1 June 2016, which serves as an incentive to attract, reward and motivate eligible staffs etc.

Details of the share option scheme are set out in note 30 to the consolidated financial statements.

E. Nomination of Directors

The Company established a nomination committee on 21 December 2005. Members of the nomination committee as at 30 June 2020 comprised Mr. Wong Sai Hung, Mr. Tam Chun Wa and Mr. Sze Cheung Pang. Mr. Wong Sai Hung is the chairman of the nomination committee.

The main duties of the nomination committee are as follows:

– To review the structure, size and composition of the Board regularly and to make recommendations to the Board with regard to any changes required
– To evaluate the balance of skills, knowledge and experience of the Board
– To identify and nominate any candidate for the Board's approval
– To make recommendations for the appointment and removal of the Chairman or any Director
– To make recommendations to the Board on the re-appointment of any non-executive Director at the conclusion of his specified term of office

Corporate Governance Report

E. Nomination of Directors – continued

The Group will consider the background, experience and qualification of any proposed candidates to ensure that the proposed candidates possess the requisite experience, characters and integrity to act as a Director of the Company.

The nomination committee held three meetings during the year under review.

Members of the Nomination Committee	Attendance/ Number of meeting(s) held
Mr. Wong Sai Hung	3/3
Mr. Tam Chun Wa	3/3
Mr. Sze Cheung Pang	2/3

F. Nomination Policy

1. Objective

This policy was approved and adopted by the board ("**Board**") of directors ("**Directors**") of the Company by resolution passed on 1 January 2019. It sets out the criteria and procedures to be adopted by the nomination committee of the Company ("**Nomination Committee**") in selecting and recommending candidates as Directors. It aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

2. Nomination criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorship:

- Character and integrity;

- Professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Willingness to devote adequate time to discharge duties as a member of the Board;

- The board diversity policy and any measurable objectives adopted by the Company for achieving diversity on the Board;

- Requirements in relation to independent non-executive directors in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and whether the Company's candidates as independent non-executive Directors would be considered independent with reference to the rules concerning the independence of directors set out in the Listing Rules; and

Corporate Governance Report

F. Nomination Policy – continued

2. Nomination criteria – continued

- Such other criteria appropriate to the Company's business or as suggested by the Nomination Committee.

The above criteria are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person as it considers appropriate.

3. Process for the nomination by the nomination committee

3.1 The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board periodically and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy.

3.2 When it is necessary to fill a causal vacancy or appoint an additional Director, the Nomination Committee shall identify or select candidates suitably qualified to become a Director, with or without assistance from external agencies or the Company, pursuant to the criteria set out in section 2.

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

3.4 The Nomination Committee shall make recommendation to the Board on the appointment of candidates as Directors, including the terms and conditions of the appointment.

3.5 The Board shall deliberate and decide on the appointment of Directors based upon the recommendation of the Nomination Committee.

F. Nomination Policy – continued

4. Re-election of directors at general meetings of the Company

4.1 The Nomination Committee shall review the overall contribution and services provided to the Company by the Directors who shall retire and offer themselves for re-election at general meetings of the Company. The Nomination Committee shall also review the expertise and professional qualifications of such retiring Directors to determine whether they continue to meet the criteria as set out in section 2.

4.2 Based on the review made by the Nomination Committee, the Board shall make recommendations to the shareholders of the Company ("**Shareholders**") on candidates standing for re-election at general meetings of the Company, and provide the available biographical information of the retiring Directors to the Shareholders in accordance with the Listing Rules to enable the Shareholders to make an informed decision on the re-election of such candidates at the general meetings of the Company.

5. Process for the nomination by the shareholders

5.1 The Shareholders may nominate a person, other than himself or herself, for election as a Director in accordance with the Bye-laws and applicable laws, rules and regulations, details of which are set out in the "Procedures for shareholders to propose a candidate for election as a director of the Company" of the Company adopted on 1 January 2019.

G. Remuneration of Directors and Senior Management

Remuneration of Directors and Senior Management Particulars of the Directors' remuneration for the year ended 30 June 2020 are set out in Note 14 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors) in this annual report for the year ended 30 June 2020 by band is set out below:

Remuneration Bands	**Number of Senior Management**
Nil to HK$1,000,000	3
HK$1,000,001 to up to HK$2,000,000	–

Corporate Governance Report

H. Auditor's Remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the remuneration paid/payable to the Company's auditor, Cheng & Cheng Limited, is set out as follows:

Services rendered	**Fees paid/payable**
	HK$
Audit services	680,000
Non-audit services	77,950

The non-audit services included taxation and other services rendered.

I. Dividend Policy

The board ("**Board**") of directors of the Company has approved and adopted a dividend policy ("**Dividend Policy**") on 1 January 2019.

Under the Dividend Policy, the Company may declare and distribute dividends to the shareholders of the Company. Dividends may only be paid out of profits of the Company available for distribution but no dividend shall exceed the amount recommended by the Board.

In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the results of operations, working capital, financial position, future prospects and capital requirements of the Group, as well as any other factors which the Board may consider relevant from time to time. Any future declaration and payment of dividends by the Company may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Board. The Company does not have any predetermined dividend payout ratio. The payment of dividend by the Company is also subject to any restrictions under the laws of Bermuda, the bye-laws of the Company and any applicable laws, rules and regulations.

The Board will review the Dividend Policy from time to time and may exercise in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

Corporate Governance Report

J. Audit Committee

As at 30 June 2020, the audit committee of the Company ("**Audit Committee**") comprised three independent non-executive Directors, namely Mr. Tam Chun Wa, Mr. Sze Cheung Pang and Mr. Lau Ka Wing. Mr. Tam Chun Wa is the chairman of the Audit Committee. Mr. Tam Chun Wa and Mr. Lau Ka Wing have the appropriate professional qualifications of accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules for the purpose of such appointment.

Meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meetings may also be held by the committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditor of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary.

The main duties of the Audit Committee are as follows:

– To monitor the works of the external auditor
– To review the Group's interim and annual financial statements before submission to the Board
– To discuss problems and reservations arising from the interim and final audits and any matters that the external auditor may wish to discuss
– To review the Group's statement on internal control system prior to endorsement by the Board
– To consider the major findings of any internal investigation and the management's response

The Audit Committee held two meetings during the year under review. The attendance record of the Audit Committee meetings for the year under review is as follows:

Members of the Audit Committee	**Attendance/ Number of meeting(s) held**
Mr. Tam Chun Wa	2/2
Mr. Wong Sai Hung*	1/1
Mr. Sze Cheung Pang	1/2
Mr. Lau Ka Wing *(appointed on 26 February 2020)*	1/1

* re-designated as executive Director and ceased to be a member of Audit Committee on 1 December 2019

Throughout the period under review, the Audit Committee discharged its responsibilities by reviewing and discussing the financial results, risk management and internal control system of the Group.

Corporate Governance Report

K. Risk Management and Internal Control:

Pursuant to the CG Code, the Board should ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investment and the Group's asset.

The Board acknowledges its responsibility to ensure sound and effective risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The risk management and internal control systems are reviewed at least annually to ensure the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's internal audit and financial reporting functions.

The Group's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed the efficiency of the Group's internal control systems, including financial operation and compliance control and risk management procedure. The Board believes that the Group is responsible to improve the internal control system continuously in order to give hand to the risk of the deficiency in the operating system, if any, with an aim to achieve the Group's objectives.

During the year under review, the Company complied with the code provision C.2.1 of the CG Code. During the year under review, the Board conducted a full review of the effectiveness of the material internal control system of the Group and considered internal audit planning presented by internal audit staff and discussed the assessment with the management.

Based on the assessment, the Board, with the concurrence of the audit committee is of the opinion that the system of internal controls established and maintained by the Group addressing financial, operational, compliance and information technology risks as well as risk management systems, were adequate to meet the needs of the Group in its current business environment.

Handling and Dissemination of Inside Information

The Company has established and implemented relevant procedures and internal controls for the handling and dissemination of inside information, including restricting employee access to inside information on a need-to-know basis and ensuring that those who need to know understand the obligation of keeping the information confidential. All inside information is disclosed to the public pursuant to the requirements under the Securities and Futures Ordinance and the Listing Rules and kept strictly confidential before disclosure.

L. Internal Audit

The Company has employed an internal audit staff ("**IA**") to perform the internal audit function and to improve the system and processes of internal controls of the Company. IA primarily reports to the Chairman of audit committee and ensure the internal control are in place and functioning properly as intended.

The audit committee has annually reviewed the adequacy and effectiveness of the Company's risk management, the scope and results of internal audit procedures. The audit committee also reviews the adequacy and effectiveness of the internal audit function. Based on the report presented, the audit committee is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

Corporate Governance Report

M. Directors' and Officers' Liability Insurance

Insurance cover has been arranged for Directors' and officers' liability to provide adequate cover, as determined by the Board, in respect of the Board members and senior management members of the Company. Such insurance has also been renewed before 3 January 2020 with a term from one year until 2 January 2021.

N. Company Secretary

Mr. Ng Chi Keung has been the Company Secretary of the Company since 30 December 2019. Mr. Ng reports to the chairman of the Company and is responsible for advising the Board on corporate governance matters. Mr. Ng has confirmed that he has taken no less than 15 hours of relevant professional training during the year under review.

O. Directors' and Auditor's Acknowledgement

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year under review.

The external auditor of the Company acknowledge their reporting responsibilities in the auditor's report on the consolidated financial statements for the year under review.

P. Communications with Shareholders

The Company values communication with the Shareholders. The Company uses two-way communication channels to account to Shareholders for the performance of the Company. Enquiries and suggestions from Shareholders are welcomed.

The Company uses a number of formal communication channels to account to the Shareholders for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for the Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; and (iv) the Company's branch share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely manner, and on-a-regular-basis information of the Group through the publication of interim and annual reports and/or despatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given.

Corporate Governance Report

Q. Shareholders' Rights

(i) Procedures for shareholders to convene a special general meeting

Subject to applicable laws and regulations including the Companies Act and the Company's Bye-laws, 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 of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. If within twenty one 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 (the "**Companies Act**").

(ii) Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than one hundred shareholders, can request the Company in writing to: (a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

(iii) Procedures for shareholders to send enquiries

Shareholders should direct their questions about their shareholdings to the Company's registrar. Shareholders and the investment community may at any time make a request for information on the Company to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's head office and principal place of business in Hong Kong at 4C Derrick Industrial Building, 49 Wong Chuk Hang Road, Hong Kong.

R. Constitutional documents

There were no changes to the memorandum of association and the bye-laws (the "**Bye-laws**") of the Company during the year under review.

By order of the Board
Wong Sai Hung
Chairman

Hong Kong, 29 September 2020

Environmental, Social and Governance Report

INTRODUCTION

The Group is pleased to present the fourth Environmental, Social and Governance (“**ESG**”) report, which provides a comprehensive account of the Group’s sustainability-related policies, measures and performance. We believe that this ESG report enables us to communicate our sustainability-related performance in a transparent and accountable manner, which is critical to gain the trust of our stakeholders.

REPORTING SCOPE

The scope of the report covers construction waste recycling, plastics recycling, metal scrap and renewable energy businesses, which includes two principal operating recycling plants in Germany and an office in Hong Kong. In order to align the reporting period with the financial year, the last year reporting period was 18 months from 1 January 2018 to 30 June 2019 (“**FP2019**”). Starting from this report, covering the ESG achievement in the 12 months from 1 July 2019 to 30 June 2020 (“**reporting period**” or “**FY2020**”). Moreover, the renewable energy business is an office-based operation responsible for the trading of oil/biodiesel business, the environmental impact is relatively insignificant. As a result, the environmental key performance indicators (“**KPIs**”) in the report reveal the performance of the recycling business in Germany but the social KPIs cover all business operations in mainland China, Japan, Hong Kong and Germany. The report sets out the Group’s overall sustainability approaches and policies on four different aspects, including environmental protection, our people, operating practices and community involvement.

REPORTING PRINCIPLE

Materiality: The Group communicates with different stakeholders on a regular basis, so to better understand ESG-related issues that matter the Group most from stakeholders’ perspectives. Meanwhile, the Group concerns ESG development outside and within the industry, trying to align with available global standards as well as incorporating it into the Group strategic development planning.

Quantitative: Appendix 27 of the Listing Rules guides the Group to prepare measurable KPIs for performance review. Quantitative information presented in the report is accompanied by narrative, explanation and comparison wherever applicable. The frequency of publication is once a year.

Balance: The Group upholds this reporting principle to prepare ESG reports and strives to disclose both challenges and opportunities of ESG issues that the Group experienced during the reporting period. Pictures, charts and graphs reflect the actual performance of the Group, and with appropriate presentation formats, so to avoid misleading.

Consistency: The Group adopts consistent methodologies and retrieves social and environmental KPIs from the Group’s internal record system. The Group is also with reference to Appendix 2: Reporting Guidance on Environmental KPIs as well as Appendix 3: Reporting guidance on Social KPIs to calculate KPIs, so to make meaningful comparisons over the years.

Environmental, Social and Governance Report

DIRECTOR'S MESSAGE

We value the environment and realise that the waste problem is bothering many countries. Possessing an increasingly greater awareness of environmental protection of the public fosters organisation and even government to be environmentally responsible in its operation and achieves sustainability ultimately.

As such, China and several Southeast Asian countries have established a ban on imported solid and plastic waste that requires importers not to import general plastics waste, unsorted waste paper, textile waste and vanadium slag into the countries. The Group cleans and pre-treats all the scraps by sorting and watering by types in usual practices. The ban, therefore, has insignificant impacts on the Group's businesses. Also, the Group exports the recyclables and wastes mainly to European region so that the tensions over trash exports to China and the Southeast Asian countries do not heap much pressure on the Group.

Notwithstanding the negligible impacts of the ban over the Group, the Group takes the waste ban as a business opportunity. As a result, the Group forms a joint venture in Japan where is responsible for high-grade plastic waste recycling and processing. This business adopts advanced energy saving technologies to produce fine enough plastics for post-usage in plastics injection moulding machines. However, the establishment and the settlement of the plastic scrap recycling plants and production lines have been vastly affected by COVID-19 outbreak. The facility in Japan has been commenced its trial operations in the second quarter of 2020. Following by its establishment, the capability of global high-grade plastic waste will be increased. Also, Japan operations can help ease the growing concerns of imported wastes in Asian countries as well as global waste crisis.

A global waste crisis facilitates recycling facility operators like us to expand and upgrade their existing recycling infrastructure. Also, the Group has diversified its customer and product mix in offering trading of oil/biodiesel services to Asian and European countries. Not only does it provide alternatives of fossil fuel, but it also generates more health benefits for less toxic pollutants generated from the combustion of biodiesel than other petroleum products. Looking ahead, the Group hopes to provide companies all over the world, a stable and reliable recycling and renewable energy services to eliminate the waste disposal problem, ease the global waste crisis and reduce energy dependence on fossil fuels.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

We have evaluated the materiality of the key ESG issues arising from our business which we believed are the most important to our company and shareholders.

In order to identify the most significant aspects for the Group to disclose in this ESG report, key stakeholders including employees, investors, shareholders, customers, suppliers and government bodies have been involved in regular engagement sessions to discuss and to review areas of attention which help the business meet its potential growth and prepare for future challenges.

STAKEHOLDER ENGAGEMENT AND MATERIALITY – continued

Stakeholder	Rank (1 = most material)	Concerned ESG aspects	The Group's responses
Employee	1	Remuneration, promotion, prospect, development and training	The Group recognises that competence of its employees is the key to success. In-house training is provided to employees to equip themselves with knowledge and skills. The Group also encourages employees to participate in various external qualification examinations to enhance their professional and technical knowledge. Education allowances are offered to employees so as to attend training organised by professional institutions from time to time. The Group performs annual performance assessment and collects feedback from the employee so that the Group can review the sufficiency of employee compensation and benefits more compressively.
	2	Occupational health and safety	The Group prioritizes maintaining a safe and healthy working environment for its employees. The Group endeavours to prevent them from work-related fatalities or injuries, and the Group is pledged to being fully compliant with the relevant occupational health and safety. The Group provides sufficient personal protection equipment such as gloves, earplugs, N95 dust masks, protective clothing, first aid kit and fire extinguishers, which are available at the workplace.
	3	Legal compliance	The Group strictly complies with all applicable labour and employment laws and regulations. The Group prohibits child labour and forced labour in any workplace.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT AND MATERIALITY – continued

Stakeholder	Rank (1 = most material)	Concerned ESG aspects	The Group's responses
Investor and shareholders	1	Economic performance	The Group timely releases the latest corporate information via announcements, circulars, interim and annual report.
	2	Resources efficiency	
	3	Legal compliance	The Group holds shareholders' meetings to have effective communication with shareholders.
Customers	1	Product responsibility	The Group implements product certification and quality inspection procedures to ensure that all our products meet quality standard and sustainable development requirement.
	2	Customer relationship	
	3	Competitive price	The Group consolidates and comprehensively analyses the customers' feedback in order to identify the issues. Follow-up actions will be taken to address the issues identified and to improve our service delivered continuously. Feedback will additionally be provided to the customers in a timely manner.
Suppliers and business partners	1	Continuous cooperation	The Group establishes a supply chain management system including suppliers' selection criteria and annual process review assessment.
Government bodies/ regulators	1	Environmental impacts	The Group always gives prompt responses to government inquires and environmental regulation updates. During the reporting period, the Group fully complied with environmental laws and regulations.

Environmental, Social and Governance Report

STAKEHOLDERS' FEEDBACK

In order to improve the environmental, social and governance performance of the Group on a continuous basis, we welcome stakeholders' valuable opinions. Stakeholders may give their suggestions or share their views with the Group via email at esg@hk-greenenergy.com.

ENVIRONMENTAL PROTECTION

The Group's recycling businesses are strictly operating under the regulations and the Group keeps an eye on the updates. The Group was not aware of any material non-compliance with the local environmental laws or regulations for the reporting period.

In daily plant operations, the Group has taken measures to reduce the possible impacts on the environment arising from the operation and production activities. The Group also maintains records on environmental KPIs in Germany for monitoring because operations in Germany are material in the Group's environmental performance. Moreover, the Group gives supports to the management and employees to aggressively explore the possibility of reducing emissions and energy consumption and improve their environmental awareness.

Looking ahead, the Group will develop and implement the effective environmental protection measures in the new plastic recycling plant in Japan. In addition, the Group will continue to work closely with various parties to strictly comply with the local environmental standards with an aim to improve the environmental performance while minimising the impact of environmental pollution.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

(1) WASTE MANAGEMENT

Recycling Business

Recycling business operation is one of the significant operations of the Group. The Group strives to increase the recycling rate of the wastes collected by introducing various waste management options, classifying different types of wastes and planning for storage. "Standard Recycling Procedures Manual" has been set up to instruct employees on how to organise the office waste and field wastes into different recycling bins or recycling trash bags. The Group also has various sorting facilities and procedures in our production lines to identify reusable and recyclable materials and eventually store at designated areas.

The plastic wastes are collected mainly from the collectors in the countries of European Union, whereas the construction wastes are coming from the construction sites nearby. Screening machines are to sort wastes, and they are stored at designated containers with lids and adequately labelled. In order to dispose waste in a safe manner, the Group has appointed the professional waste disposal company which is compliant with relevant requirements with proven experience in the disposal of wastes. Based on the business nature, almost all of the scraps are handled suitably and appropriately by registered recycling collectors and a solid waste disposal company. None of the chemical and clinical wastes (non-hazardous) is generated and discharged.

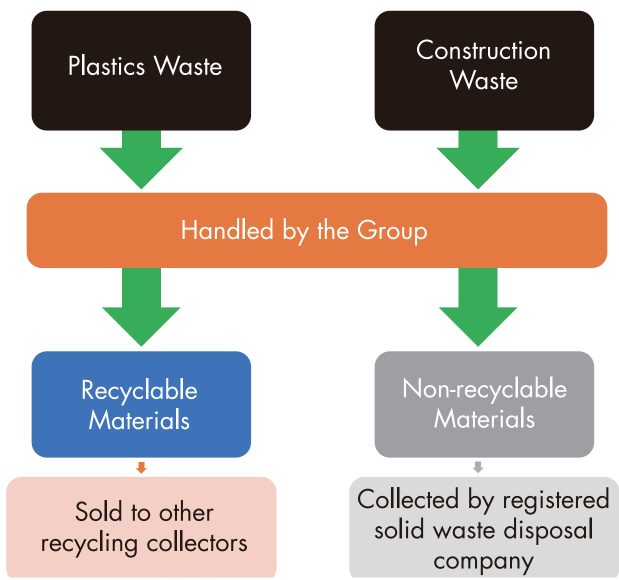


Chart: Recycling business of the Group

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

(1) WASTE MANAGEMENT – continued

Plastic Recycling Business – Germany

Chart: Plastic recycling business flowchart

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

(1) WASTE MANAGEMENT – continued

Construction Waste Recycling Business – Germany

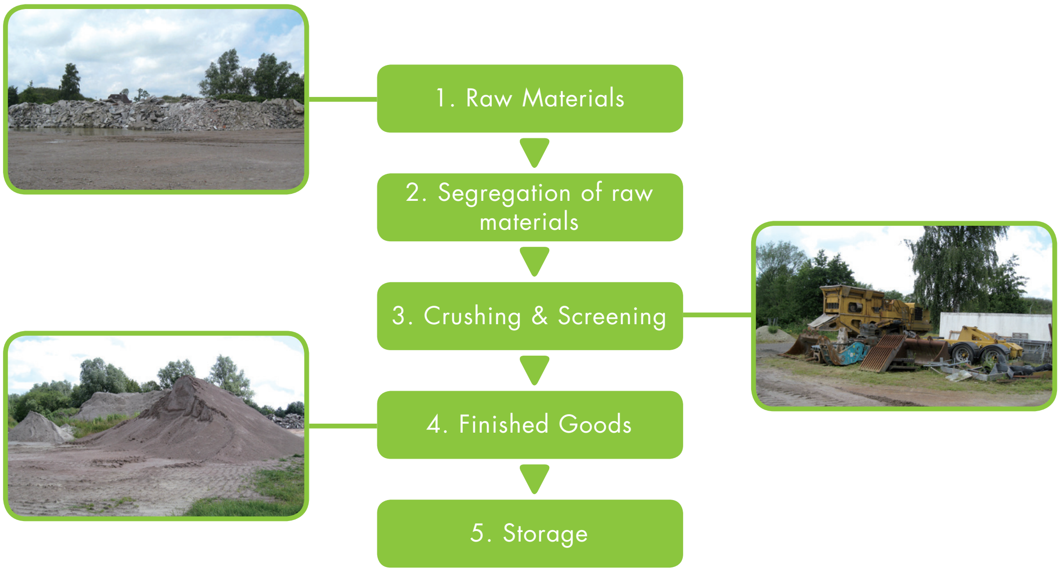


Chart: Construction waste recycling business flowchart

Data on recyclables generation for FY2020 and FP2019 is compared as follows:

Recyclables	Unit	FY2020	FP2019
From plastic recycling business			
Plastics	Tonnes	64.51	191.05
Metal Scrap	Tonnes	9.00	29.08
From the construction waste recycling business			
Metal Scrap	Tonnes	94.06	147.26

As of 30 June 2020, the Group has collected around 167.57 tonnes of plastics and metal scrap. The intensity of recyclables collected was about 3.11 tonnes/kilo tonnes of input. The recyclables will be sold to other recycling collectors for proceeding further recycling procedures.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

(1) WASTE MANAGEMENT – continued

In Daily Operation

In daily plant operations, there are non-hazardous wastes being generated and discharged. As a recycler, the Group believes that hazardous wastes must be reduced at source with fewer pollutants being produced. To make this happen, we will keep improving during the production process to achieve goal relating to waste reduction.

Data on non-hazardous wastes generation for FY2020 and FP2019 is compared as follows:

Non-hazardous wastes	Unit	FY2020	FP2019
The total amount of non-hazardous wastes generated from production process	Tonnes	278.87	532.16
Intensity per production input	Tonnes/kilo tonnes of input	5.197	7.78

(2) PAPER CONSUMPTION

The Group encourages employees to use double-sided printing instead of single-sided printing and collect all printed single-sided paper next to each printer for reuse, so as to effectively reduce paper waste. The table below shows the amount of paper consumed in the reporting period.

Paper Consumption	Unit	FY2020	FP2019
The total estimated amount of paper consumed in recycling business	kgs	64.92	NA
The total estimated amount of paper consumed in non-recycling business	kgs	335.28	NA

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

(3) PACKAGING MATERIALS CONSUMPTION

During operation, the Group also entails materials for delivering, storage and transporting purposes. We advocates the production staff to reasonably plan the use of packaging materials under the premise that product quality and safety, so as to improve the environmental benefits. Meanwhile, the Group has recycled second-hand wood pallets for transporting and delivering purposes. Those pallets are from a pallet recycling company in the Netherlands. The following items are commonly used in the Group as packaging.

Data on packaging materials consumption for FY2020 and FP2019 is compared as follows:

Type of packaging materials	Unit	FY2020	FP2019
Plastic big bag	Tonnes	9.13	13.69
Wood Pallets	Tonnes	56	84.09

(4) ENERGY CONSUMPTION

Recycling Business

The Group realises that the energy consumption of the Group is mainly due to logistics and distribution, transports and productions. Clean production is a crucial concern of shareholders apart from economic performance. As a result, the Group has taken the initiatives to monitor the energy consumption closely.

First of all, the Group generates a monthly report to review the operating efficiency. Any abnormal energy consumption will be timely responded to reduce unnecessary waste. Moreover, the Group has engaged energy adviser to provide services on energy efficiency plan and energy measurement monitoring, so as to conduct assessments and examinations on energy conservation on a regular basis. Secondly, timely warnings (threshold set to be 10% excessive growth) will be issued in respect of production lines showing a disproportionate increase in total energy consumption. The Group will adjust the discrepancies accordingly. Thirdly, the Group also sets targets for total energy consumption to control energy consumption at plants in terms of growth and total volume.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

(4) ENERGY CONSUMPTION – continued

In Daily Operation

The last-man-out is dedicated to check and turn off all the lights, machines and equipment when not in use and during non-office hours. Also, the Group places notice reminders to encourage employees to establish energy-saving habits at the office, such as switching off idle engines and air-conditioners. Generally, air indoor room temperature is well maintained at 24 to 26 Degree Celsius.

Data on types and amount of energy consumption for FY2020 and FP2019 is compared as follows:

Type of resources		Units	FY2020	FP2019
(A)	Diesel for stationary equipment	Litres	43,976	57,000
	– Intensity per production input	Litres/kilo tonnes of input	818.12	846.06
(B)	LPG for stationary equipment	Kgs	5,720	NA
	– Intensity per production input	Kgs/kilo tonnes of input	106.41	NA
(C)	Diesel and gasoline for motor vehicles	Litres	2,813	8,266
	– Intensity per production input	Litres/kilo tonnes of input	52.33	120.95
(D)	Natural gas for operations	kWh	147,622	169,000
	– Intensity per production input	kWh/kilo tonnes of input	2,746.31	2,473.15
(E)	Electricity	kWh	545,036	927,466
	– Intensity per production input	kWh/kilo tonnes of input	10,139.64	13,570.62

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

(5) WATER CONSUMPTION

The Group realises recycling business does entail water consumption as well as produce sewage during the operation. Because of that, the Group installs a wastewater processing equipment to separate the solid waste contents in the sewer with sludge as well as to recover recyclable materials from sewage, so as to attain the goal of ultralow discharge of pollutants for the plant as a whole. Also, the Group sets up a drainage system to control the flow rate from sewage to the sedimentation tanks for preventing sink into soils or spill into rivers nearby. Meanwhile, the production staff regularly inspect the sewage treatment facilities and equipment inside the plant to ensure normal operating condition and prevent leakage. Moreover, the Group treats wastewater properly to comply with the water quality standard and eventually reuse the water. The Group has appointed a professional sewage disposal company in Germany which is handling the discharged wastewater for further treatment.

Regarding wastewater generation, there were 552.04 tonnes, and the intensity of wastewater generation was 10 tonnes/kilo tonnes of inputs in the reporting period.

In Daily Operation

The Group places reminders near the water outlets to remind employees' water-saving responsibilities. In terms of hardware, flow controllers are installed on water taps to reduce water usage as well. There were no difficulties in sourcing water. In the reporting period, there were 1,024.06 m^3 of water consumed, and the intensity of water consumption was 19 m^3/kilo tonnes of inputs.

(6) EMISSIONS

In terms of pollutants emitted from the Group, SOx emission is mainly due to fuel consumption of vehicles. The table below shows the number of pollutants emitted in the reporting period.

Pollutants[1]	Emissions in FY2020	Emissions in FP2019
Sulphur oxides (SOx)	0.042	NA

1 Calculated based on the total gasoline consumption of company gasoline and diesel vehicles.

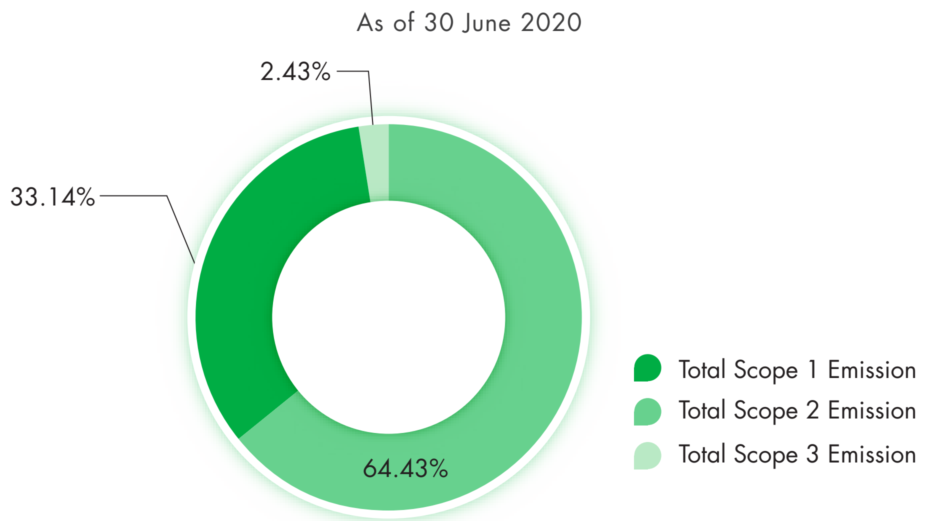
Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

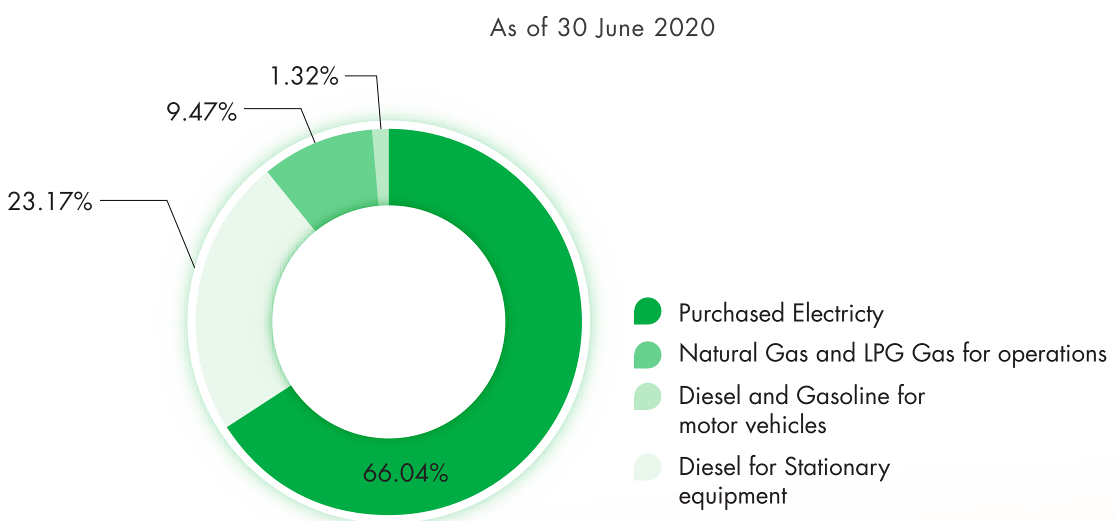
(6) EMISSIONS – continued

Total Emission

Regarding Greenhouse Gas ("**GHG**") emission in the reporting period, the following graph illustrated the total GHG emission of the Group. The energy consumed in the Group's recycling operations are the main source of the emission of carbon. We use industrial electricity, diesel and natural gas as the main energy sources to maintain the plant operations and daily production.



Graph: Percentage of scope 1, 2 and 3 greenhouse gas emission of the Group



Graph: Percentage of greenhouse gas emission sources for the reporting period

The total of reporting period emission intensity per production input was 9.27 tCO_2e/kilo tonnes of input. The Group is pledged to install, adopt energy-saving items and procure energy-efficient equipment so as to enhance energy efficiency.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

(6) EMISSIONS – continued

Data on sources and amount of emissions for FY2020 and FP2019 is compared as follows:

GHG Emissions	Unit	Emissions in FY2020	Emissions in FP2019
Scope 1 Emissions – Direct emission[2]	**tCO_2e**	**165.11**	**216**
Scope 1 Emission intensity per production input	tCO_2e/kilo tonnes of input	3.07	3.15
Diesel for stationary equipment	tCO_2e	112.64	159
Emission intensity per production input	tCO_2e/kilo tonnes of input	2.10	2.32
LPG for stationary equipment	tCO_2e	16.21	NA
Emission intensity per production input	tCO_2e/kilo tonnes of input	0.30	NA
Natural gas for operations	tCO_2e	29.82	37
Emission intensity per production input	tCO_2e/kilo tonnes of input	0.55	0.54
Diesel and gasoline for motor vehicles	tCO_2e	6.44	20
Emission intensity per production input	tCO_2e/kilo tonnes of input	0.12	0.28
Scope 2 Emissions – Indirect emission[3]	**tCO_2e**	**321**	**546**
Purchased electricity	tCO_2e	321	546
	kWh	545,036	927,466
Emission intensity per production input	tCO_2e/kilo tonnes of input	5.97	8
Scope 3 Emissions – Business travel by employees	**tCO_2e**	**12**	**NA**
Emission intensity per production input	tCO_2e/kilo tonnes of input	0.22	NA
Total GHG Emissions	**tCO_2e**	**498.22**	**762**
Emission intensity per production input	tCO_2e/kilo tonnes of input	9.27	11.30

[2] Including emissions from diesel vehicles and combustion of stationary natural gas, diesel; as well as acetylene consumption and renewable energy.

[3] Only including emissions from power purchased from power companies.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION – continued

(6) EMISSIONS – continued

Scope 1 GHG Emission – Direct Emission

Diesel For Stationary Equipment

The Group recognises the importance of maintaining environmental sustainability in its daily operation. The contributing sources of stationary diesel consumption are from a crushing machine, an excavator and a wheel loader. A series of measures are taken to enhance energy efficiency such as adopting energy-efficient equipment. There were 112.64 tonnes of CO_2e (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The emission intensity per production input was 2.10 tCO_2e/kilo tonnes of input.

LPG For Stationary Equipment

The Group consumes a total of 16.21 tCO_2e of liquified LPG mainly to operate forklifts in the production lines operated in plastic recycling plant in Germany in the reporting period. The emission intensity per production input was 0.30 tCO_2e/kilo tonnes of input.

Natural Gas For Operations

Regarding natural gas consumption, heating system and dryers in the production lines entail a total of around 148,000 kWh of gas in Germany in the reporting period. It accounts for 29.82 tonnes of CO_2e. The emission intensity per production input was 0.55 tCO_2e/kilo tonnes of input.

Diesel and Gasoline For Motor Vehicles

Motor vehicles of the Group are diesel and gasoline vehicles, which consumes a total of 2,813 litres of fuels in the reporting period, contributing to 6.44 tonnes of CO_2e. The emission intensity per production input was 0.12 tCO_2e/kilo tonnes of input.

Scope 2 GHG Emission – Indirect Emission

Purchased Electricity

The plastics recycling business entails the most electricity of the Group consumed 545,036 kWh, contributing 321 tonnes of CO_2e. The emission intensity per production input was 5.97 tCO_2e/kilo tonnes of input.

(7) ENVIRONMENTAL EDUCATION

With an emphasis on environmental protection, the Group in Germany has managed a range of refreshing training to employees regarding "Standard Recycling Procedures Manual". Understanding of the whole recycling productions and the flows can reduce the impacts of irresponsible waste disposal on the environment.

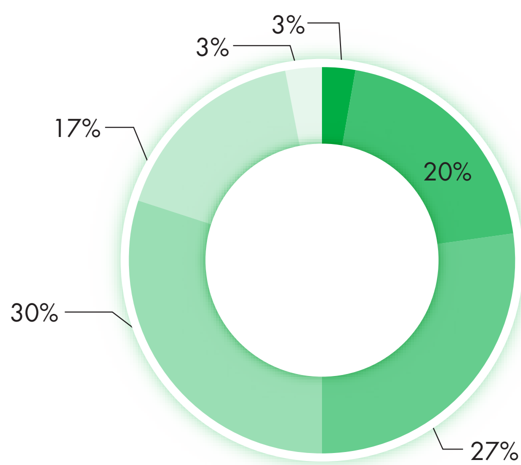
Environmental, Social and Governance Report

OUR PEOPLE

The Group cares about our employees and regards them as one of the essential assets of the Group. To attract and retain talents for the Group, we endeavour to build a comfortable, healthy and equal working environment for our employees and ensure that all their rights and interests are protected. As of 30 June 2020, the Group had a total number of 30 employees[4] (as of 30 June 2019: 25 employees). All of them were full-time employees of the Group; whereas 19 were male and 11 were female. Their distribution was shown as below:

Team Structure

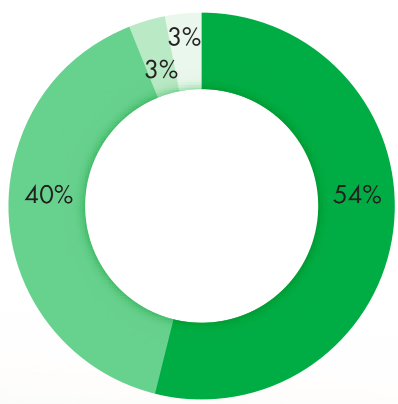
As of 30 June 2020



Total employees trained	Number of employees
>64 years old	1
55 – 64 years old	6
45 – 54 years old	8
35 – 44 years old	9
25 – 34 years old	5
15 – 24 years old	1

Graph: Total Number of Employees by age group

As of 30 June 2020



Total employees trained	Number of employees
Hong Kong	16
Germany	12
Mainland China	1
Japan	1

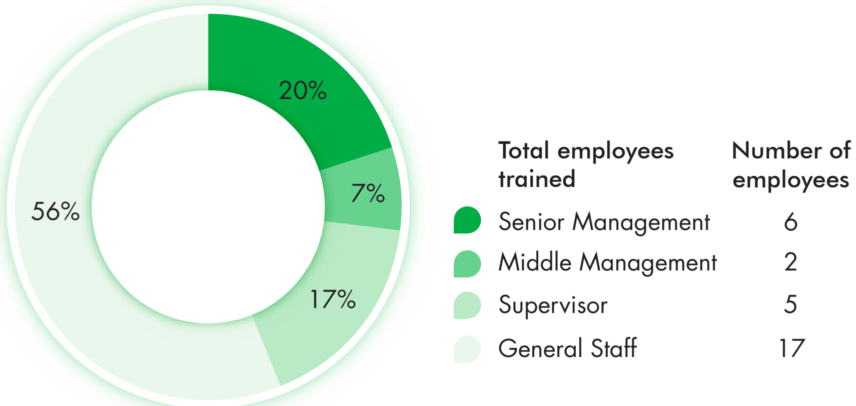
Graph: Total Number of Employees by geographical region

4 Employees includes employees hired directly by the Group.

Environmental, Social and Governance Report

OUR PEOPLE – continued

As of 30 June 2020



Graph: Total Number of Employees by employee category

(1) Employment Practices

The Group strictly complies with all applicable labour standards and employment laws and regulations of its respective operating bases. During the reporting period, the Group did not identify any legal violation regarding the employment of child labour or forced labour. It did not identify or receive any constitutional violation or complaint regarding discrimination or recruitment.

All employees of the Group have written employment contracts and such contracts shall include dismissal term where the Group has the right to terminate such contract with an employee who violates local laws and regulations and the Group's policy. Recruitment is simply based on candidates' experiences, abilities and business needs, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion, disability and nationality. All talented candidates and employees can be hired and promoted, as well as eligible to attend relevant training to meet business needs and personal career development. The Group prohibits child labour and forced labour in any workplace. During recruitment, the Group checks identification documents to assure employees are legally entitled to work. In the case of child labour and/or forced labour, the Group shall terminate the employment immediately and, for other illegal incidents, the Group shall report the case to the local enforcement agencies.

Employees' remuneration packages include basic salaries and performance-based bonuses which shall be determined by their qualifications, experience and prevailing market rates. Salaries and promotion opportunities are normally reviewed annually based on individual performance appraisals. Apart from the basic remuneration package, the Group also offers a wide range of benefits including medical and hospital insurance coverage, Chinese New Year red packet and paid leaves for sick, marriage and bereavement in addition to statutory holidays. No employee is paid less than the minimum wage specified by the government regulations in different jurisdictions.

Environmental, Social and Governance Report

OUR PEOPLE – continued

(1) Employment Practices – continued

The table below shows the number of resigned employees and turnover rate in the reporting period.

	Number of resigned employees	Turnover rate per total workforce
By Age Group		
>64 years old	0	0%
55 – 64 years old	0	0%
45 – 54 years old	1	3.33%
35 – 44 years old	1	3.33%
25 – 34 years old	2	6.67%
15 – 24 years old	0	0%
By Geographical region		
Hong Kong	4	13.33%
Germany	0	0%
Mainland China	0	0%
Japan	0	0%
By gender		
Male	4	13.33%
Female	0	0%

(2) Employee Occupational Health and Safety

The Group places the highest priority on securing the health and safety of all our employees. We endeavour to protect them from work-related accidents or injuries, and the Group pledges to fully comply with the relevant occupational health and safety legislations of mainland China, Japan, Hong Kong and Germany. During the reporting period, the Group did not identify any violation against the local regulations in occupational health and safety.

The Group provides insurance covering medical treatments and accidents to eligible employees. In order to avoid accidents and ensure that all employees work safely, we implement tailor-made "Workplace Health and Safety Manual" for different working conditions and needs which stipulates the safety procedures as well as emergency response plans. Those established policies and guidelines are reviewed periodically and further improved to protect our employees. Moreover, personal protective equipment such as N95 dust masks, gloves, earplugs and protective clothing are also provided to the employees to safeguard their health and safety. Also, first aid kits and firefighting facilities are available at each workplace to provide immediate treatment to those who are injured or ill. Fire drills are arranged regularly as well.

Environmental, Social and Governance Report

OUR PEOPLE – continued

(2) Employee Occupational Health and Safety – continued

The Group has adequate lighting and ventilation systems to maintain good air quality and lighting. The working environment is always kept clean and tidy with sufficient workspace. The Group also provides proper office equipment such as height-adjustable chairs with adjustable armrest and tilting backrest.

In terms of occupational health and safety training, the Group offers such training to all newcomers as well as employees regularly. During the reporting period, the relevant employees were provided training in occupational health & safety. Furthermore, the Group arranged a series of team building activities/outdoor activities such as barbecue, welcoming lunch, Christmas party, and birthday party in the reporting period. Meanwhile, the Group sent birthday cards, wedding gift, and baby born gift to employees, so to share the warmth and happiness.

Altogether, the Group is pleased to see no work-related fatalities and lost-days in the reporting period.

As of 30 June 2020	FY2020		FP2019	FY2017[5]
	Hong Kong	Germany	Total	Total
Number of Work-related fatalities (number)	0	0	0	0
Rate of work-related fatalities (%)	0	0	0	0
Lost days due to work injury (days)	0	0	62	76

(3) Development and Training

The Group believes employees quality is key to the success of the Group and strives to profit. As a result, we are encouraging our employees to grow professionally and pursue their career development that meets the long-term growth of our business simultaneously. In view of that, we always encourage our staff to participate in continuous learning activities. First of all, the Group encourages employees to participate in various external qualification examinations. Education allowances are offered to our employees to attend training courses organised by professional institutions from time to time, so as to enhance their professional and technical knowledge. Secondly, the Group also provides its directors with regular reading materials to ensure that they keep abreast of the latest regulatory requirements, corporate governance practices including anti-corruption, financial performance and market trends.

Thirdly, in our Germany division, we have created "Standard Operational Procedures Manual" for most of our activities which set out instructions for workers to carry out routine operations. It not only forms the basis of operating training to our employees but also assists us in improving the overall operation efficiency and uniformity of performance in the long run. The procedures are explained to each newcomer before they begin their jobs.

[5] The reporting period included the data from 1 January 2017 to 31 December 2017.

Environmental, Social and Governance Report

OUR PEOPLE – continued

(3) Development and Training – continued

During the reporting period, the relevant training figures for the Group were shown as follows:

	Total number of trained employees	The percentage of trained employees per total workforce	Total number of training hours	Average training hours completed by gender
By Gender				
Male	5	16.67%	94	3.13
Female	2	6.67%	16	0.53
By Employee Category				
Senior Management	3	10%	6	0.20
Middle Management	0	0%	0	0
Supervisor	1	3.33%	80	2.67
General Staff	3	10%	24	0.80
Total	7	23.33%	110	3.67

OPERATING PRACTICES

The Group promotes the concept of rational development to construct a sincere and harmonious working culture. The Group also endeavours to build up long-term mutual benefits among upstream and downstream customers by providing extremely outstanding services and quality.

(1) Product Responsibility

The Group understands that apart from the quality, customers are becoming more concerned about environmental matters and more likely to purchase and use eco-friendly products. The Group is fully aware of it. The Group actively supports this market trend and incorporates this customer concern into the product certification and establish quality inspection procedures to ensure that all our products meet quality standards and sustainable development requirements. Customers of the Group conduct quality tests before the construction materials, plastics and metal scrap are being sent to the Group. The waste that fails in quality will be returned to the suppliers. Also, the Group consolidates and analyses the customers' feedback if issues raised and takes follow-up actions accordingly to improve service quality. Customers receive the analysis report afterwards promptly. In the reporting period, there were no recall cases happened in the Group.

Environmental, Social and Governance Report

OPERATING PRACTICES – continued

(2) Supply Chain Management

Sound supply chain management is a crucial factor in ensuring recycling activities quality. The Group has established a set of selection criteria such as certifications, product quality, the capability of providing a stable service, prices as well as after-sales services. Potential suppliers must process the requirements before they become registered suppliers of the Group. The Group also conducts annual suppliers review to reassess major suppliers' quality assurance and customers satisfaction. Once suppliers' performance is far behind the acceptance level, the Group will suspend the suppliers' services and request for reassessment. If the case is severe, the Group will consider terminating the cooperation with the supplier concerned and remove it from the supplier list.

In order to maintain a long-term relationship with our suppliers so to ensure a stable supply, the Group has established a comprehensive vertical supply chain management system through supplier screening and logistics and resource integration. As of 30 June 2020, 14 suppliers located in the Europe region and 11 suppliers are located in Hong Kong.

In order to facilitate green procurement, the Group gives extra credit/preference to suppliers with the good environmental performance or with environmental management system certification (e.g. ISO 14001 Environmental Management System and ISO 9001 Quality Management System) or process products environmental labels in the tendering process. The Group also specifies in tendering document to encourage suppliers to adopt products with ecolabel or environmentally friendly products.

Stable suppliers' services can safeguard the quality of our products. As a result, the Group works diligently to ensure its supply chain is operating as efficiently as possible to maintain its products being in good conditions and standardised. Moreover, the majority of the suppliers are serving our operation nearby so to reduce transportation needs. Active and frequent communications among suppliers are the key. The latest market news and technology, sustainable development of the industry as well as the laws and regulations are topics that we would cover in the communications.

Environmental, Social and Governance Report

OPERATING PRACTICES – continued

(3) Customer Privacy

The Group's information technology department has maintained a comprehensive data protection system to ensure that the data we collect is protected and our customer's privacy is respected. The Group has formulated a system maintenance policy and strict rules governing the use of computers by employees to educate and regulate them in this regard. Under the protection of the General Data Protection Regulation 2016/679, data must be collected lawfully, directly for a specified purpose and retained for a designated period. All storage and transmission of personal data must be encrypted and with up-to-date antivirus protection. The Group is accountable to take practicable steps to safeguard the personal data from unauthorised or accidental access, processing, erasure, loss or use by third parties. The Group discloses personal data both internally and externally on a need-to-know basis and with clients' consent.

Personal data policy and practices are known to the public regarding the types of personal data it holds and how the data is used. The data can be updated and corrected by the data holders at any time in writing upon request. The Group must be able to provide information on how they use clients' information in the past 12 months upon request. Only delegated personnel who are well-trained can access to the personal data. Responsible personnel have to attend regular data handling training to receive latest updates and requirements. Any unlawful and inappropriate actions of individuals are not acceptable in the Group. The Group must report all suspected and confirmed cases to the law enforcement agencies. Individuals will be dismissed from the Group if found guilty of any wrongdoings. Meanwhile, the Group must notify the clients if their data is being disclosed, collected or used without official approval or permission.

During the reporting period, there were no confirmed non-compliance incidents and complaints about advertising, data privacy and intellectual property rights matters relating to products and services provided.

The Group respects intellectual property rights and requires using copyrighted application software and avoids the security flaw and legal disputes arising from the copyright of software.

Environmental, Social and Governance Report

OPERATING PRACTICES – continued

(4) Anti-corruption

The Group is wary of any situation that might tarnish the Group's reputation and trust. Rigid laws and compliances on anti-corruption bound the Group. Employees represent the Group's professional image, and they are strictly prohibited from using business opportunities for personal interest or benefit. Anti-corruption policy set a clear bottom line to employees not to receive any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing duties. The Group's policies and attitudes against corruption and the code of conduct are stated clearly to all employees in the staff handbook.

Meanwhile, we encourage employees to report any malpractice and misconduct directly to the human resources department or senior management. All reports are confidential. A delegated senior management handles it with care and reports to the Board. Any unlawful act will be reported to the authorities to further investigation if necessary.

During the product/service providers' selection or procurement processes, the Group constantly reminds employees from misusing authority or engaging in situations which could affect their ability to make decisions. The Group will not condone any form of bribery, extortion, fraud and money laundering. The Group has its internal audit staff to review internal controls. In the reporting period, there was no confirmed case or public legal cases of bribery, extortion, fraud and money laundering.

COMMUNITY INVESTMENT

Being a responsible corporate citizen, the Group will actively involve in community projects near the towns and cities where we worked, so as to improve the underprivileged people's lives and promote awareness of environmental protection.

FUTURE DIRECTIONS FROM THE GROUP

Looking ahead, the Group will continue to work diligently on sourcing more energy-efficient appliances, equipment and materials so as to enhance the environmental performance of the Group. Also, the Group anticipates expanding the production line to low-density polyethene as well as high-grade plastic materials in Germany and Japan, therefore, increasing the Group's contribution for the global waste problem. From a social perspective, the Group will continuously identify and work closely with charitable partners to engage in many community activities. Employees training and supplier management are also the focuses of the Group to ensure product and services qualities meet the global standards and client's needs.

Independent Auditor's Report

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司

Level 35, Tower 1, Enterprise Square Five,
38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong

TO THE SHAREHOLDERS OF GREEN ENERGY GROUP LIMITED
綠色能源科技集團有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Green Energy Group Limited (the "**Company**") and its subsidiaries ("**the Group**") set out on pages 64 to 159, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 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 ("**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.

Independent Auditor's Report

KEY AUDIT MATTERS

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

Impairment/reversal of impairment of property, plant and equipment (Refer to Note 16 to the consolidated financial statements)

As at 30 June 2020, the Group has property, plant and equipment located in Germany with carrying amount of HK$21,841,000 and HK$7,406,000 which are utilised by the Group for its plastic recycling and metal scrap businesses and waste construction materials and waste processing services in Germany respectively.

During the year, the plastic recycling and metal scrap segment incurred segment loss of HK$7,860,000. This has increased the risk that the carrying amount of the property, plant and equipment may be impaired.

Management has concluded that there is no impairment in respect of the property, plant and equipment in the plastic and metal scrap recycling segment as their recoverable amounts are higher than their carrying values.

Freehold land is not depreciated and stated at cost less any impairment. The management has concluded that there is an impairment of HK$3,310,000 in respect of the freehold land in the waste construction materials recycling businesses as their carrying values are higher than their fair values. As a result, the waste construction materials and waste processing services segment incurred segment loss of HK$675,000 for the year ended 30 June 2020.

The recoverable amount of freehold land and building is determined by management based on the valuation performed by independent professional valuers while the recoverable amount of equipment is determined based on the fair value estimated by management with reference to the quoted prices for identical or similar assets in active markets.

We have identified this as a key audit matter because the estimation of fair value requires significant level of estimation and judgement, which includes selection of valuation methodologies and comparables and application of adjustments to the comparables.

Independent Auditor's Report

KEY AUDIT MATTERS – Continued

Impairment/reversal of impairment of property, plant and equipment (Refer to Note 16 to the consolidated financial statements) – Continued

Our procedures in relation to management's impairment assessment included:

- Obtaining the valuation reports on land and building prepared by the independent professional valuers;
- Evaluating the competence, capabilities and objectivity of the independent professional valuers;
- Assessing the methodologies used and the appropriateness of key assumptions adopted and the reasonableness of the adjustments of comparables;
- Performing impairment assessment for those property, plant and equipment other than land and buildings by reference to the quoted prices for identical or similar assets in active markets; and
- Checking the accuracy and relevance of the input data used.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Corporate Information, Chairman's Statement, Biographical Details of Directors and Senior Management, Director's Report, Corporate Governance Report, Environmental, Social and Governance Report and Five Years Financial Summary 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Independent Auditor's Report

OTHER INFORMATION IN THE ANNUAL REPORT – Continued

When we read the Corporate Information, Chairman's Statement, Biographical Details of Directors and Senior Management, Directors' Report, Corporate Governance Report, Environmental, Social and Governance Report and Five Years Financial Summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee of the Company (the "**Audit Committee**") and take appropriate actions considering our legal rights and obligations.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 Section 90 of the Bermuda Act 1981, 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.

Independent Auditor's Report

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

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.

Independent Auditor's Report

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

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

CHENG & CHENG LIMITED
Certified Public Accountants

Chan Shek Chi
Practising Certificate Number P05540

Hong Kong, 29 September 2020

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Continuing operations			
Revenue	5, 6	113,860	96,915
Changes in inventories of finished goods		(103,908)	(83,594)
Other income	7	1,452	2,802
Other gains and losses	8	(5,987)	370
Reversal of impairment loss/(impairment loss) of loan and interest receivable		1,000	(1,000)
Written-off/impairment loss of other receivables		(1,115)	(1,783)
Staff costs		(13,156)	(16,472)
Depreciation for property, plant and equipment		(1,814)	(3,434)
Depreciation for right-of-use assets		(1,146)	–
Other expenses	9	(16,962)	(20,188)
Finance costs	10	(79)	(120)
Loss before income tax	11	(27,855)	(26,504)
Income tax expenses	12	(26)	(2)
Loss for the year/period from continuing operations		(27,881)	(26,506)
Discontinued operation			
Loss for the year/period from discontinued operation	39	–	(36)
Loss for the year/period		(27,881)	(26,542)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
– Reclassification of translation reserve upon disposal of subsidiaries		214	254
– Exchange differences arising on translation of financial statements of foreign operations		911	1,363
Other comprehensive income for the year/period		1,125	1,617
Total comprehensive expense for the year/period		(26,756)	(24,925)

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Loss for the year/period attributable to:			
– Owners of the Company		**(26,327)**	(25,899)
– Non-controlling interests		**(1,554)**	(643)
		(27,881)	(26,542)
Total comprehensive expense for the year/period attributable to:			
– Owners of the Company		**(25,229)**	(24,316)
– Non-controlling interests		**(1,527)**	(609)
		(26,756)	(24,925)
		HK Cents	HK Cents
Loss per share – Basic and diluted			
– Continuing operations	15	**(2.34)**	(2.73)
– Discontinued operation	15	**–**	(0.01)
– Continuing and discontinued operations	15	**(2.34)**	(2.74)

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	29,351	27,185
Intangible assets	17	278	378
Prepayments, deposits and other receivables	21	914	7,072
Right-of-use assets	22	–	–
		30,543	34,635
Current assets			
Inventories	18	906	722
Trade receivables	19	4,133	5,812
Prepayments, deposits and other receivables	21	3,577	12,433
Loan and interest receivable	20	–	21,314
Cash and cash equivalents	23	70,133	31,563
		78,749	71,844
Assets classified as held for sale	24	–	4,003
		78,749	75,847
Current liabilities			
Trade payables	25	448	362
Accruals and other payables	26	6,825	3,865
Lease liabilities	35	883	–
Income tax payables		6	–
		8,162	4,227
Liabilities associated with assets classified as held for sale	24	–	692
		8,162	4,919
Net current assets		70,587	70,928
Net assets		101,130	105,563

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Equity			
Share capital	27	113,631	94,693
Reserves	28	(12,636)	9,028
Equity attributable to owners of the Company		100,995	103,721
Non-controlling interests	41	135	1,842
Total equity		101,130	105,563

The consolidated financial statements on pages 64 to 159 were approved and authorised for issue by the board of directors on 29 September 2020 and are signed on its behalf by:

Wong Sai Hung
Director

Luo Xian Ping
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium* HK$'000	Contributed Surplus* HK$'000	Exchange reserve* HK$'000	General reserve* HK$'000	Accumulated losses* HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	94,693	411,449	56,897	3,259	71	(438,353)	128,016	(648)	127,368
Additional non-controlling interests	–	–	–	–	–	21	21	3,099	3,120
	–	–	–	–	–	21	21	3,099	3,120
Loss for the period	–	–	–	–	–	(25,899)	(25,899)	(643)	(26,542)
Other comprehensive expense									
Reclassification of translation reserve upon disposal of subsidiaries	–	–	–	254	–	–	254	–	254
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	1,329	–	–	1,329	34	1,363
Total comprehensive income/(expense) for the period	–	–	–	1,583	–	(25,899)	(24,316)	(609)	(24,925)
At 30 June 2019 and 1 July 2019	94,693	411,449	56,897	4,842	71	(464,231)	103,721	1,842	105,563
Issue share capital *(Note 27)*	18,938	3,562	–	–	–	–	22,500	–	22,500
Disposal of subsidiaries	–	–	–	–	–	–	–	(182)	(182)
Partial disposal of a subsidiary without loss of control *(Note 34)*	–	–	–	–	–	3	3	2	5
	18,938	3,562	–	–	–	3	22,503	(180)	22,323
Loss for the year	–	–	–	–	–	(26,327)	(26,327)	(1,554)	(27,881)
Other comprehensive income									
Reclassification of translation reserve upon disposal of subsidiaries	–	–	–	214	–	–	214	–	214
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	884	–	–	884	27	911
Total comprehensive income/(expense) for the year	–	–	–	1,098	–	(26,327)	(25,229)	(1,527)	(26,756)
At 30 June 2020	113,631	415,011	56,897	5,940	71	(490,555)	100,995	135	101,130

* The aggregate balances underlying these accounts at the reporting date of deficit of HK$12,636,000 (2019: surplus of HK$9,028,000) are included as reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Cash flows from operating activities		
Loss before income tax	(27,855)	(26,540)
Adjustments for:		
Interest income	(644)	(270)
Interest expenses	79	120
(Reversal of impairment loss)/impairment loss of loan and interest receivable	(1,000)	1,000
Impairment loss/(Reversal of impairment loss) of property, plant and equipment	3,310	(2,285)
Impairment loss of right-of-use assets	859	–
Impairment loss of trade receivables	16	–
Impairment on disposal group classified as held for sale	–	3,556
Written-off/impairment loss of other receivables	1,115	1,783
Amortisation for intangible assets	100	122
Bad debts written off	–	88
Depreciation of property, plant and equipment	1,814	3,435
Depreciation of right-of-use assets	1,146	–
Written off of property, plant and equipment	17	125
Gain on disposal of subsidiaries	(473)	(908)
Waive of debt due to a former director	–	(3,771)
Net exchange loss	2,291	2,997
Operating cash flows before movements in working capital	(19,225)	(20,548)
Increase in inventories	(196)	(265)
Decrease in trade receivables	1,688	6,761
Decrease/(increase) in prepayments, deposits and other receivables	6,901	(4,362)
Decrease in short-term investment	–	350
Decrease/(increase) in loan and interest receivable	22,314	(22,314)
Increase/(decrease) in trade payables	92	(9,789)
Increase/(decrease) in accruals and other payables	446	(3,584)
Cash generated from/(used in) operations	12,020	(53,751)
Income tax paid	(20)	–
Net cash generated from/(used in) operating activities	12,000	(53,751)

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Cash flows from investing activities		
Interest received	644	270
Repayment of other loan and interest receivables	–	5,150
Purchase of property, plant and equipment	(3,981)	(621)
Repayment/(payment) for deposit of acquisition of a subsidiary	7,000	(7,000)
Net cash outflow for acquisition of subsidiaries	–	(500)
Proceed from partial disposal of a subsidiary	5	–
Net cash inflow from disposal of subsidiaries	1,746	159
Net cash generated from/(used in) investing activities	5,414	(2,542)
Cash flows from financing activities		
Interest paid on lease liabilities	(79)	–
(Repayment to)/loan from a former director *(Note 42)*	(61)	5,054
Proceeds from issue of shares through share placing *(Note 27)*	22,500	–
Repayment of lease liabilities	(1,122)	–
Capital contribution from non-controlling interests	–	3,120
Net cash generated from financing activities	21,238	8,174
Net increase/(decrease) in cash and cash equivalents	38,652	(48,119)
Effect of foreign exchange rate changes	(823)	(702)
Cash and cash equivalents at beginning of the year/period	32,304	81,125
Cash and cash equivalents at end of year/period	70,133	32,304
Analysis of balance of cash and cash equivalents		
Bank balances and cash	70,133	31,563
Bank balances and cash classified under assets held for sale	–	741
	70,133	32,304

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

1. GENERAL INFORMATION

Green Energy Group Limited ("the **Company**") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at 4C Derrick Industrial Building, 49 Wong Chuk Hang Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Principal activity of the Company continued to be investment holding. The principal activities of its principal subsidiaries are set out in Note 41. The Company together with its subsidiaries are collectively referred to as the "Group" hereinafter.

The Company's parent is New Glory Business Corporation which was incorporated in the British Virgin Islands and the directors of the Company (the "**Directors**") consider its ultimate parent is Marvel Express Limited which was incorporated in the British Virgin Islands.

As set out in the announcement of the Company issued on 2 November 2018, the financial year end date of the Company and the Group has been changed from 31 December to 30 June to rationalise and more efficiently use its resources for the preparation of its results announcements as well as interim and annual reports.

Accordingly, the current accounting period covers from 1 July 2019 to 30 June 2020. The corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a period of eighteen months from 1 January 2018 to 30 June 2019 and therefore may not be comparable with amounts shown for the current period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

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

New standards, revision and amendments to existing standards effective for annual periods beginning 1 July 2019, relevant to the Group's operations and adopted by the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for the application of HKFRS 16 Leases (as described below), the application of the new and amendments to HKFRSs in current year has no material effect on the Group's results and financial position and performance for the current or prior years and on the disclosure set out in these consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, 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. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 July 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New standards, revision and amendments to existing standards effective for annual periods beginning 1 July 2019, relevant to the Group's operations and adopted by the Group: – Continued

HKFRS 16, Leases – Continued

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 July 2019. For contracts entered into before 1 July 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. For an explanation of how the group applies lessee accounting, see Note 3.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New standards, revision and amendments to existing standards effective for annual periods beginning 1 July 2019, relevant to the Group's operations and adopted by the Group: – Continued

HKFRS 16, Leases – Continued

b. Lessee accounting and transitional impact – Continued

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 June 2020;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 30 June 2019 as an alternative to performing an impairment review.

The Group did not recognise lease liabilities and right-of-use assets as at 1 July 2019.

	1 July 2019 *HK$'000*
Operating lease commitments at 30 June 2019	436
Less: Commitments relating to short-term leases and other leases with remaining lease term ending on or before 30 June 2020	(436)
Lease liabilities as at 1 July 2019	–

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New standards, revision and amendments to existing standards effective for annual periods beginning 1 July 2019, relevant to the Group's operations and adopted by the Group: – Continued

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Effective on 1 July 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") to allocate consideration in the contract to each lease and non-lease components.

New and amended standards issued but not yet effective

The Group has not applied any of the following new and amendments to HKFRSs ("**new and amendments HKFRSs**") that have been issued but are not yet mandatorily effective:

HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	COVID-19 Related Rent Concessions[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[6]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKAS 16	Proceeds before Intended Use[6]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[6]

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New and amended standards issued but not yet effective – Continued

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

The directors of the Company anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared under historical cost convention as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKFRS 16 (since 1 July 2019) or HKAS 17 Leases (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. All values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

Critical accounting estimates and judgements

It should be noted that accounting estimates and assumptions are used in preparation of these consolidated financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Basis of consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of consolidation – Continued

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are 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 assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Business combinations – Continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Property plant and equipment

Property, plant and equipment, other than freehold land, including buildings held for use in the production or supply of goods and services, or for administrative purposes are stated at cost less accumulated depreciation and any impairment losses. They are depreciated to write off their cost net of estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Buildings	20 – 50 years
Furniture, fixtures and equipment	3 – 10 years
Leasehold improvements	Over the shorter of terms of the leases and 5 years
Motor vehicles	5 years

Freehold land is not depreciated and stated at cost less any impairment.

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 costs such as repairs and maintenance are recognised as an expense in profit or loss during the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Property plant and equipment – Continued

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The Group's accounting policies on impairment of non-financial assets are set out in "Impairment of non-financial assets" under this note.

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.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2b)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2b)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates 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.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of rented premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Leases – Continued

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Leases – Continued

Leases liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

– fixed payments (including in-substance fixed payments) less any lease incentives receivable;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the Group under residual value guarantees;

– the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

– payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Leases – Continued

Lease modifications

The Group accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

Leases (Prior to 1 July 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.

The Group as a lessee

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Intangible assets

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Financial instruments

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

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

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial assets – Continued

Classification and subsequent measurement of financial assets – Continued

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other income” line item.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets

The Group estimates a loss allowances for lifetime expected credit losses ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposit and other receivables, loan and interest receivables and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(i) Significant increase in credit risk – Continued

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

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

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(ii) Credit-impaired financial assets

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

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

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

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

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

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

(iii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial liabilities

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

Financial liabilities at amortised cost including trade and other payables are subsequently measured at amortised cost, using 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.

Equity instruments

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

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.

Impairment of non-financial assets

Property, plant and equipment, intangible assets with finite useful lives and right-of-use assets are tested for impairment whenever there are indications that the assets' carrying amounts may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit ("**CGU**")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Impairment of non-financial assets – Continued

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

Foreign currency

Transactions entered into by the Company/group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (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 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 at 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 in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation 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.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

When a foreign operation is disposed of, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue from contracts with customers – Continued

The performance obligations of the Group for contracts with customers are summarised as follows:

(i) *Trading of recyclable oil/biodiesel (revenue recognised at a point in time)*

Revenue from sales of recyclable oil is recognised at a point in time when the recyclable oil are on board of the vessel, being the time that the customer obtains control of the goods. The customer is normally required to pay 90% of the contract price upon signing the contract and the remaining contract price is due immediately at the point when the recyclable oil has been received by customer.

(ii) *Trading of waste construction materials, provision of waste processing services (revenue recognised at a point in time)*

Revenue from sales of waste construction materials and waste processing services is recognised at a point in time when the materials or processed materials are physically transferred to the customer, being at the point that the customer obtains the control of the materials.

(iii) *Trading of plastic recycling/metal scrap materials (revenue recognised at a point in time)*

Revenue from sales of plastic recycling/metal scrap materials is recognised at a point in time when the materials are physically transferred to the customer being at the point that the customer obtains the control of the materials.

(iv) *Provision of plastic processing services (revenue recognised at a point in time)*

Revenue of plastic processing services is recognised at a point in time when the processed materials are physically transferred to the customer, being at the point that the customer obtains the control of the goods.

Revenue from other source of income

(i) *Provision of money lending business*

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Income taxes

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Income taxes – Continued

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee benefits

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.

Short-term employee benefits

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

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

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 the key management personnel of the Group or of a parent of the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Related parties – Continued

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

(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) The entity and the Group 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 employees of either 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 the 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 services to the Group or to the parent of the Group.

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.

Provisions and contingent liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Provisions and contingent liabilities – Continued

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, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 which continue to be measured in accordance with the accounting policies as set out in respective sections.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – Continued

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

(i) Impairment/reversal of impairment of property, plant and equipment

Property, plant and equipment of the Group are reviewed by the Directors for possible impairment or reversal of impairment when events or changes in operating environment indicate that the carrying amounts of such assets may not be fully recoverable, or the impairment loss recognised in prior periods may no longer exist or may have decreased. In determining the recoverable amounts of these assets, fair value of property, plant and equipment was adopted. Fair value of the land and building are estimated by management based on the valuation performed by independent professional valuers. Fair value of equipment are estimated by management with reference to the quoted prices for identical or similar assets in active markets.

(ii) Provision of ECL for loan and interest receivable

The Group individually assesses the ECL for loan and interest receivables. The assessment is based on the credit profile of the debtor and guarantor, and the historical repayment record of the debtor taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the credit profile and the historical repayment record of the debtor is reassessed and changes as the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan and interest receivable is disclosed in Notes 3, 20 and 37.

(iii) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for trade receivables. The provision matrix is based on aging as groupings of various debtors that have similar loss patterns. The provision rates are 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 as the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired, if any, are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 3, 19 and 37.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

5. SEGMENT INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker (i.e. most senior executive management) for the purposes of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

Continuing operations

Waste construction materials and waste processing services	–	Trading of waste construction materials and provision of waste processing services
Renewable energy	–	Trading of recyclable oil/biodiesel
Plastic recycling/ metal scrap	–	Trading of plastic recycling/metal scrap materials and provision of plastic processing services
Money lending	–	Provision and arrangement of credit financing

Discontinued operation

Bio-cleaning materials	–	Trading of bio-cleaning materials (discontinued during the eighteen months ended 30 June 2019 *(Note 39)*)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Reportable segment results exclude interest income and corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of corporate assets, including bank balances and cash, certain other receivables, assets classified as held for sale and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade payables, accruals and other payables and other liabilities directly attributable to the business activities of operating segments, and exclude corporate liabilities, liabilities associated with assets classified as held for sale and provision for income tax.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

5. SEGMENT INFORMATION – Continued

Segment revenue and results

For the year ended 30 June 2020

	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Plastic recycling/ metal scrap HK$'000	Money lending HK$'000	Total HK$'000
REVENUE	4,936	99,314	6,674	2,936	113,860
RESULTS					
Segment results	(675)	366	(7,860)	3,675	(4,494)
Other corporate expenses					(25,286)
Other income					1,452
Gain on disposal of subsidiaries					473
Loss before income tax					(27,855)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

5. SEGMENT INFORMATION – Continued

Segment revenue and results – Continued

For the eighteen months ended 30 June 2019

	Waste construction materials and waste processing services *HK$'000*	Renewable energy *HK$'000*	Plastic recycling/ metal scrap *HK$'000*	Money lending *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Total *HK$'000*
REVENUE	5,170	75,184	12,997	3,564	96,915	88	97,003
RESULTS							
Segment results	3,660	231	(5,499)	2,235	627	(77)	550
Other corporate expenses					(25,461)	–	(25,461)
Other income					2,802	–	2,802
Gain on disposal of subsidiaries					867	41	908
Impairment loss of other receivables					(1,783)	–	(1,783)
Impairment loss of disposal group classified as held for sale					(3,556)	–	(3,556)
Loss before income tax					(26,504)	(36)	(26,540)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

5. SEGMENT INFORMATION – Continued

Segment assets and segment liabilities

At 30 June 2020

	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Plastic recycling/ metal scrap HK$'000	Money lending HK$'000	Total HK$'000
ASSETS					
Segment assets	10,690	13,663	32,693	1,227	58,273
Unallocated cash and cash equivalents					50,458
Other corporate assets					561
Consolidated total assets					109,292
LIABILITIES					
Segment liabilities	299	354	5,225	3	5,881
Other corporate liabilities					2,281
Consolidated total liabilities					8,162

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

5. SEGMENT INFORMATION – Continued

Segment assets and segment liabilities – Continued

At 30 June 2019

	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Plastic recycling/ metal scrap HK$'000	Money lending HK$'000	Total HK$'000
ASSETS					
Segment assets	15,472	13,517	20,588	22,067	71,644
Unallocated cash and cash equivalents					23,735
Other corporate assets					11,100
Assets classified as held for sale					4,003
Consolidated total assets					110,482
LIABILITIES					
Segment liabilities	1,427	434	697	–	2,558
Other corporate liabilities					1,669
Liabilities associated with assets classified as held for sale					692
Consolidated total liabilities					4,919

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

5. SEGMENT INFORMATION – Continued

Other segment information

For the year ended 30 June 2020

	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Plastic recycling/ metal scrap HK$'000	Money lending HK$'000	Corporate HK$'000	Total HK$'000
OTHER INFORMATION OF CONTINUING OPERATIONS						
Additions to non-current assets	14	–	7,843	10	14	7,881
Depreciation of property, plant and equipment	188	–	1,240	4	382	1,814
Depreciation of right-of-use assets	–	–	–	–	1,146	1,146
Impairment loss on property, plant and equipment	3,310	–	–	–	–	3,310
Impairment loss of right-of-use assets	–	–	–	–	859	859
Impairment loss of trade receivables	16	–	–	–	–	16
Written-off of property, plant and equipment	2	–	–	–	15	17
Written-off of other receivables	–	–	–	–	1,115	1,115
Reversal of impairment loss of loan and interest receivable	–	–	–	(1,000)	–	(1,000)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

5. SEGMENT INFORMATION – Continued

Other segment information – Continued

For the eighteen months ended 30 June 2019

	Waste construction materials and waste processing services *HK$'000*	Renewable energy *HK$'000*	Plastic recycling/ metal scrap *HK$'000*	Money lending *HK$'000*	Corporate *HK$'000*	Total *HK$'000*
OTHER INFORMATION OF CONTINUING OPERATIONS						
Additions to non-current assets	528	–	83	10	–	621
Depreciation of property, plant and equipment	249	–	1,777	3	1,405	3,434
Impairment loss of loan and interest receivable	–	–	–	1,000	–	1,000
Impairment loss of other receivables	–	–	–	–	1,783	1,783
Reversal of impairment loss on property, plant and equipment	(2,285)	–	–	–	–	(2,285)
Waive of debt due to a former director	–	–	(3,771)	–	–	(3,771)
Written-off of property, plant and equipment	–	–	–	–	125	125

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

5. SEGMENT INFORMATION – Continued

Other segment information – Continued

Geographical information

The Group's continuing operations are located in Hong Kong, Germany and Japan. The Group's revenue from customers by geographical markets, determined based on the location of customers, and information about its non-current assets by geographical location, determined based on the location of the assets, are detailed below:

	Revenue		Non-current assets	
	1.7.2019 to 30.6.2020	1.1.2018 to 30.6.2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,936**	14,284	**383**	604
The People's Republic of China ("PRC") (excluding Hong Kong)	**–**	–	**–**	261
Europe	**98,346**	67,398	**21,682**	26,698
Malaysia	**12,317**	4,319	**–**	–
Middle East	**–**	10,914	**–**	–
Japan	**261**	–	**7,564**	–
	113,860	96,915	**29,629**	27,563

Information about major customers

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follows:

	Segment	Geographical location	1.7.2019 to 30.6.2020	1.1.2018 to 30.6.2019
			HK$'000	*HK$'000*
Customer A	Renewable energy	Malaysia	**NA***	4,319
Customer B	Renewable energy	Europe	**NA***	28,768
Customer C	Renewable energy	Europe	**NA***	14,198
Customer D	Renewable energy	Middle East	**NA***	10,914
Customer E	Renewable energy	Europe	**37,835**	NA*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

6. REVENUE

Revenue derived from the principal activities of the Group is recognised during the periods as follows:

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Continuing operations		
Trading of recyclable oil/biodiesel – at a point in time	99,314	75,184
Trading of waste construction materials – at a point in time	3,388	3,958
Provision of waste processing services – at a point in time	1,548	1,212
Trading of plastic recycling materials – at a point in time	4,484	7,153
Trading of metal scrap – at a point in time	–	2,397
Provision of plastic processing services – at a point in time	2,190	3,447
Revenue from contracts with customer	110,924	93,351
Provision and arrangement of credit financing – other source of income	2,936	3,564
	113,860	96,915

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Discontinued operation		
Trading of bio-cleaning materials	–	88

7. OTHER INCOME

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Continuing operations		
Interest income	644	270
Realised fair value gain on financial instruments	–	809
Government subsidies	306	–
Sub-leasing income	–	1,247
Rental income	76	–
Sundry income	426	476
	1,452	2,802

Notes to the Consolidated Financial Statements

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8. OTHER GAINS AND LOSSES

	notes	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Continuing operations			
Gain on disposal of subsidiaries *(Note 33)*	*(a)*	473	867
Impairment loss of disposal group classified as held for sale *(Note 24)*		–	(3,556)
Net exchange loss		(2,291)	(2,997)
(Impairment loss)/reversal of impairment loss of property, plant and equipment *(Note 16)*		(3,310)	2,285
Impairment loss of right-of-use assets		(859)	–
Waive of debt due to a former director	*(b)*	–	3,771
		(5,987)	370

	note	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Discontinued operation			
Gain on disposal of subsidiaries *(Note 39)*	*(a)*	–	41

(a) During the year, the Group disposed a group of subsidiaries to third parties at a consideration of HK$3,780,000 (eighteen months ended 30 June 2019: HK$6,172,000).

(b) The former director has signed agreement to waive of debt with no other additional conditions.

Notes to the Consolidated Financial Statements

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9. OTHER EXPENSES

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Continuing operations		
Administrative expenses	2,120	1,623
Auditor's remuneration	806	770
Bank charges	79	113
Impairment loss of trade receivables	16	–
Legal and professional fee	7,212	6,931
Office rental and overheads	459	2,639
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	500	–
Repair and maintenance and wastage treatment	1,944	2,860
Travel and entertainment	664	869
Utilities and other expenses	3,162	4,383
	16,962	20,188

10. FINANCE COSTS

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Continuing operations		
Interest expenses on loan from a former director	–	120
Interest expenses on lease liabilities	79	–
	79	120

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

11. LOSS BEFORE INCOME TAX

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Continuing operations		
Loss before income tax is arrived at after charging:		
Amortisation of intangible assets	100	122
Auditor's remuneration		
– the Company	680	590
– Subsidiaries	126	180
Impairment loss of trade receivables	16	–
Impairment loss of right-of-use assets	859	–
Bad debts written off	–	88
Depreciation for property, plant and equipment	1,814	3,434
Depreciation for right-of-use assets	1,146	–
Impairment loss of disposal group classified as assets held for sale	–	3,556
Minimum lease payments for operating leases in respect of land and buildings	–	1,695
Written off of property, plant and equipment	17	125
Staff costs including Directors' remuneration		
Salaries and allowances	12,365	14,971
Retirement benefit – defined contribution scheme	791	1,501
	13,156	16,472

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Discontinued operation		
Loss before income tax is arrived at after charging:		
Depreciation for property, plant and equipment	–	1
Minimum lease payments for operating leases in respect of land and buildings	–	119

Notes to the Consolidated Financial Statements

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12. INCOME TAX EXPENSES

The amount of taxation charged to the consolidated statement of comprehensive income represents:

Continuing operations

	1.7.2019 to 30.6.2020	1.1.2018 to 30.6.2019
	HK$'000	*HK$'000*
Current tax:		
PRC Tax	**14**	189
Hong Kong Profits Tax	**–**	–
Under-provision/(over-provision) in respect of prior years	**12**	(187)
	26	2

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment)(No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

No provision for Hong Kong Profits Tax has been made as the Company has no assessable profits for the year.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the rate of 25% (eighteen months ended 30 June 2019: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The income tax provision of the Group in respect of operations in Germany has been calculated at the rate of 30% (eighteen months ended 30 June 2019: 30%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

For the subsidiary operated in Japan, no provision for corporate income tax has been made as this subsidiary has no taxable profits for the year.

For the subsidiary operated in Portugal, no provision for corporate income tax had been made as this subsidiary had no taxable profits for the prior period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

12. INCOME TAX EXPENSES – Continued

Reconciliation between income tax and accounting loss at applicable tax rates is as follows:

Continuing operations

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Loss before income tax	(27,855)	(26,504)
Tax on profit at the rates applicable to the jurisdictions concerned	(5,950)	(5,202)
Tax effect of non-deductible expenses	3,532	9,249
Tax effect of non-taxable income/revenue	(602)	(6,083)
Tax effect of tax losses not recognised	2,702	2,609
Tax effect of other temporary differences not recognised	1,100	–
Utilisation of tax losses previously not recognised	(715)	(384)
Tax relief for the year	(53)	–
Under-provision/(over-provision) in respect of prior years	12	(187)
Income tax expense	26	2

Discontinued operation

	1.7.2019 to 30.6.2020 HK$'000	1.1.2018 to 30.6.2019 HK$'000
Loss before income tax	–	(36)
Tax on profit at the rates applicable to the jurisdictions concerned	–	(6)
Tax effect of non-taxable income/revenue	–	(7)
Tax effect of non-deductible expenses	–	13
Income tax credit	–	–

The Group has no material unprovided deferred tax liabilities as at the end of the reporting period (2019: Nil).

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12. INCOME TAX EXPENSES – Continued

As at 30 June 2020, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$57,347,000 (2019: HK$50,624,000) as it is not probable that future taxable profit against which the losses can be utilised will be available in the relevant group entities. Included in unrecognised tax losses are losses of approximately HK$605,000 (2019: Nil) that will expire on or before 2030, other tax losses may be carried forward indefinitely. Other temporary differences are not material.

13. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 30 June 2020 (eighteen months ended 30 June 2019: nil).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The emoluments paid or payable to each of the Directors were as follows:

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Twelve-month ended 30 June 2020				
Executive directors				
Mr. Wong Sai Hung *(note (b))*	–	350	11	361
Mr. Luo Xian Ping *(note (c))*	–	750	18	768
Mr. Ho Wai Hung *(note (d))*	–	360	18	378
Independent non-executive directors				
Mr. Tam Chun Wa	160	–	–	160
Mr. Sze Cheung Pang *(note (e))*	360	–	–	360
Mr. Wong Sai Hung *(note (b))*	100	–	–	100
Mr. Lau Ka Wing *(note (a))*	83	–	–	83
	703	1,460	47	2,210

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – Continued

(a) Directors' remuneration – Continued

The emoluments paid or payable to each of the Directors were as follows:

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Eighteen months ended 30 June 2019				
Executive directors				
Mr. Yip Wai Leung Jerry *(note (f))*	–	828	34	862
Mr. Luo Xian Ping *(note (c))*	–	1,419	48	1,467
Mr. Ho Wai Hung *(note (d))*	–	451	41	492
Independent non-executive directors				
Mr. So Yin Wai *(note (g))*	57	–	–	57
Ms. Li Kit Chi Fiona *(note (h))*	57	–	–	57
Mr. Tam Chun Wa	180	–	–	180
Mr. Sze Cheung Pang *(note (e))*	540	–	–	540
Mr. Wong Sai Hung *(note (b))*	247	–	–	247
	1,081	2,698	123	3,902

Notes:

(a) Mr. Lau Ka Wing was appointed on 26 February 2020.

(b) Mr. Wong Sai Hung was appointed on 21 June 2018 as an independent non-executive director and resigned on 1 December 2019. He was appointed on 1 December 2019 as an executive director.

(c) Mr. Luo Xian Ping was appointed on 1 January 2018.

(d) Mr. Ho Wai Hung was appointed on 12 March 2018.

(e) Mr. Sze Cheung Pang was appointed on 1 January 2018.

(f) Mr. Yip Wai Leung Jerry resigned on 1 September 2018.

(g) Mr. So Yin Wai retired on 21 June 2018.

(h) Ms. Li Kit Chi Fiona retired on 21 June 2018.

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – Continued

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (eighteen months ended 30 June 2019: one) was a director of the Company, whose emoluments are reflected in the analysis presented in note (a) above. The emoluments of the remaining four (eighteen months ended 30 June 2019: four) individuals, are as follows:

	1.7.2019 to 30.6.2020	1.1.2018 to 30.6.2019
	HK$'000	*HK$'000*
Salaries and other benefits	**4,385**	3,554
Retirement benefit scheme contributions	**37**	175
	4,422	3,729

Their emoluments were within the following band:

	Number of individuals	
	1.7.2019 to 30.6.2020	1.1.2018 to 30.6.2019
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	4	4

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – Continued

(c) Senior management remuneration

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

	Number of individuals	
	1.7.2019 to 30.6.2020	1.1.2018 to 30.6.2019
Nil to HK$1,000,000	**6**	4
HK$1,000,001 to HK$2,000,000	**–**	2
	6	6

The remuneration policies of the Group are based on the prevailing remuneration level in the market and the performance of respective group companies and individual employees. During both years, no emoluments were paid by the Group to the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, there was no arrangement under which the Directors waived or agreed to waive any remuneration during both periods.

15. LOSS PER SHARE

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

	1.7.2019 to 30.6.2020	1.1.2018 to 30.6.2019
	HK$'000	*HK$'000*
Loss for the year/period attributable to the owners of the Company:		
– Continuing operations	**(26,327)**	(25,863)
– Discontinued operation	**–**	(36)
	(26,327)	(25,899)

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15. LOSS PER SHARE – Continued

Weighted average number of ordinary shares for the purpose of basic loss per share

	1.7.2019 to 30.6.2020 *'000*	1.1.2018 to 30.6.2019 *'000*
Issued ordinary shares at beginning of the year/period	946,928	946,928
Effect of issue of new shares through placing *(Note 27)*	177,479	–
Weighted average number of ordinary shares at the end of the year/period	1,124,407	946,928

There was no difference between basic and diluted losses per share as the Company did not have any dilutive potential shares outstanding for the year end 30 June 2020 and for the eighteen months ended 30 June 2019.

Loss per share

	1.7.2019 to 30.6.2020	1.1.2018 to 30.6.2019
Basic and diluted loss per share (in HK cents per share)		
– Continuing operations	(2.34)	(2.73)
– Discontinued operation	–	(0.01)
– Continuing and discontinued operations	(2.34)	(2.74)

Notes to the Consolidated Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands HK$'000	Buildings HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2018	21,292	8,275	4,812	21,998	1,729	58,106
Exchange realignment	(566)	(250)	(112)	(552)	(33)	(1,513)
Additions	–	–	10	197	414	621
Reclassified as held for sale *(Note 24)*	(3,667)	(3,280)	–	–	–	(6,947)
Disposal of subsidiaries *(Note 33,39)*	–	–	(1,968)	(1,619)	(409)	(3,996)
Disposal	–	–	–	–	(204)	(204)
Written off	–	–	(729)	(2,575)	–	(3,304)
At 30 June 2019	**17,059**	**4,745**	**2,013**	**17,449**	**1,497**	**42,763**
Exchange realignment	**(340)**	**(90)**	**(44)**	**(310)**	**(16)**	**(800)**
Additions	**–**	**–**	**–**	**7,881**	**–**	**7,881**
Written off	**–**	**–**	**(1,959)**	**(275)**	**(652)**	**(2,886)**
At 30 June 2020	**16,719**	**4,655**	**10**	**24,745**	**829**	**46,958**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	3,675	499	3,269	13,643	1,209	22,295
Exchange realignment	(76)	(21)	(58)	(336)	(21)	(512)
Depreciation	–	360	1,165	1,626	284	3,435
Reclassified as held for sale *(Note 24)*	–	(165)	–	–	–	(165)
Disposal of subsidiaries *(Note 33,39)*	–	–	(1,968)	(1,592)	(247)	(3,807)
Reversal of impairment loss *(note)*	(2,285)	–	–	–	–	(2,285)
Eliminated on disposal	–	–	–	–	(204)	(204)
Elimination on written off	–	–	(664)	(2,515)	–	(3,179)
At 30 June 2019	**1,314**	**673**	**1,744**	**10,826**	**1,021**	**15,578**
Exchange realignment	**10**	**(11)**	**(38)**	**(181)**	**(6)**	**(226)**
Depreciation	**–**	**133**	**257**	**1,294**	**130**	**1,814**
Impairment loss *(note)*	**3,310**	**–**	**–**	**–**	**–**	**3,310**
Elimination on written off	**–**	**–**	**(1,959)**	**(258)**	**(652)**	**(2,869)**
At 30 June 2020	**4,634**	**795**	**4**	**11,681**	**493**	**17,607**
CARRYING VALUES						
At 30 June 2020	**12,085**	**3,860**	**6**	**13,064**	**336**	**29,351**
At 30 June 2019	15,745	4,072	269	6,623	476	27,185

The Group's freehold lands and buildings are situated outside Hong Kong.

Notes to the Consolidated Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT – Continued

note:

The Company has engaged independent valuers to perform a valuation on the freehold land as at 30 June 2020 and 30 June 2019. Based on the result of the valuation, impairment losses with an amount of HK$3,310,000 was recognised. The impairment was due to the decreasing trend of market value of the land. For the eighteen months ended 30 June 2019, a reversal of impairment losses with an amount of HK$2,285,000 was recognised. The reversal was due to the increasing trend of market value of the land and the continuous improvement in the operating activities in the waste construction material and waste processing service.

The valuation of the freehold land was arrived by market approach which was by reference market evidence of transaction prices for similar land in the similar locations, conditions and usage. Under this approach, the recoverable amount was considered as the fair value less cost of disposal.

Discounts rate of 10-20% (2019: 20%) has been applied to the fair value for the different in quality and location of the comparable of which the discounts are considered as the unobservable key inputs of the valuation. The fair value hierarchy was categorised as Level 3.

17. INTANGIBLE ASSETS

	License
	HK$'000
Cost	
At 1 January 2018	–
Acquisition of a subsidiary	500
At 30 June 2019, 1 July 2019 and 30 June 2020	500
Accumulated amortisation and impairment	
At 1 January 2018	–
Charge for the period	122
At 30 June 2019 and 1 July 2019	122
Charge for the year	100
At 30 June 2020	222
Net carrying amount	
At 30 June 2020	278
At 30 June 2019	378

Notes to the Consolidated Financial Statements

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17. INTANGIBLE ASSETS – Continued

On 12 April 2018, the Group acquired 100% of Noble Ample Limited ("**Noble Ample**").

Intangible asset that arose from the acquisition of Noble Ample represented the money lending license under the Money Lenders Ordinance, Chapter 163, Law of Hong Kong. The management assessed the license to be 5 years useful lives.

The money lending license has definite useful lives and are amortised over 5 years using the straight-line method.

18. INVENTORIES

	2020	2019
	HK$'000	HK$'000
Plastic materials	904	721
Waste construction materials	2	1
	906	722

19. TRADE RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Trade receivables	4,149	5,812
Less: Allowance for expected credit losses	(16)	–
	4,133	5,812

The Group makes cash-on-delivery sales and makes sales with a credit period of 0-30 days (2019: 14 days) to certain of its trade customers. The following is an ageing analysis of trade receivables based on invoice date at the end of the reporting period:

	2020	2019
	HK$'000	HK$'000
0 – 90 days	4,133	5,793
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	–	19
	4,133	5,812

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20. LOAN AND INTEREST RECEIVABLE

	2020	2019
	HK$'000	HK$'000
Loan and interest receivable	–	22,314
Less: Allowance for expected credit losses	–	(1,000)
	–	21,314

The loan and interest receivable was arising from Money Lending business. The loan bears fixed interest rate of 15% per annum on principal amount, repayable monthly. The principal was mature and repayable on 22 October 2019. The loan was extended by the supplemental agreements on 22 October 2019 and 23 April 2020 with extended maturity dates on 23 April 2020 and 22 June 2020 respectively.

The loan was secured by personal guarantee of an independent third party. The past due ageing of the loan and interest receivable are as follow:

	2020	2019
	HK$'000	HK$'000
Neither past due nor impaired	–	19,000
Less than 3 months past due	–	750
3 to 6 months past due	–	750
Over 6 months but less than 1 year past due	–	814
	–	21,314

During the eighteen months ended 30 June 2019, the directors of the Company consider that the credit risk of the loan has been significantly increased but not credit-impaired because of the information developed internally. The balances past due as at 30 June 2019 with an amount of HK$2,314,000 were fully recovered during the current reporting period.

The loan receivable outstanding as at 30 June 2019 are denominated in "**HK$**".

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21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Prepayments	577	1,536
Trade deposit	2,219	8,773
Other deposits and receivables *(note)*	1,695	9,210
Other loan and interest receivables	–	2,690
Less: Allowance account	–	(2,704)
	4,491	19,505
Deduct: Non-current portion	(914)	(7,072)
	3,577	12,433

note:

On 1 June 2018, the Group has signed a letter of intent on co-operation for the proposed acquisition of 100% issued share capital of a company incorporated in British Virgin Islands which holds 60% interest of a company listed in Canada (the "**Listed Company**").

The Listed Company is principally engaged in exploration and development of its petroleum and natural gas properties as well as development of related energy technology applications particularly bitumen and heavy oil upgrading to light oil.

On 25 August 2018, the Group has signed supplementary agreement to extend the letter of intent on co-operation until 31 December 2019.

As at the period ended 30 June 2019, the acquisition is still under negotiation and the Group has paid HK$7,000,000 during the eighteen months ended 30 June 2019 as the deposit for the acquisition.

On 8 April 2020, the Group has signed a termination agreement and the deposit was fully recovered before the year ended 30 June 2020.

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year except for rental, utility and sundry deposits, of HK$914,000 (2019: HK$7,072,000) which are expected to be recovered after more than one year.

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22. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*
As at 1 July 2019	
Carrying amount	–
As at 30 June 2020	
Carrying amount	–
For the year ended 30 June 2020	
Depreciation charge	1,146
Impairment loss	859
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	500
Total cash outflow for leases	1,701
Additions to right-of-use assets	2,005

During the year, the Group entered into several new lease arrangements for the use of offices for twenty-one months. The Group is required to make fixed monthly payments during the contract period. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for offices.

The Group's right-of-use assets are situated on land:

	2020 ***HK$'000***
In Hong Kong	**–**

Management has performed an assessment on the Group's right-of-use assets as at 30 June 2020 and assessed the recoverable amount of CGUs based on value-in-use calculation using projected cashflow over the lease term of each office.

In preparing the value-in-use calculation of the relevant CGU, management considered the unprecedented economic impact of COVID-19 on the Group's operation and the expected pace of recovery of the economy. The key assumption adopted in the impairment assessment is the discount rate of 10%, which was determined based on the past performance and their expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The results of the assessment indicated that an impairment loss of HK$859,000 was recognised in profit and loss.

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23. CASH AND CASH EQUIVALENTS

Included in bank balances and cash of the Group at 30 June 2020 are amounts of HK$20,510,000 (2019: HK$20,995,000) which are denominated in Renminbi ("**RMB**"). RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

24. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 7 May 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire issued share capital of Upframe Limited and its 94.9% owned subsidiary, NW–Assets GmbH (collectively "**Upframe Group**"), whose principal activity is holding of freehold land in Germany, at a consideration of EUR400,000 (equivalent to HK$3,480,000). The disposal was completed on 2 July 2019.

On 3 July 2019, the Group completed the disposal of the entire issued share capital of Almoray Limited and its wholly owned subsidiaries, Green Energy Investments Limited and GE – Natural Fuels S.A (collectively "**Almoray Group**"), whose principal activity is investment holding, at a consideration of HK$300,000.

Notes to the Consolidated Financial Statements

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24. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE – Continued

Accordingly, the following major classes of assets and liabilities relating to the Upframe Group and Almoray Group have been classified as held for sale in the consolidated statement of financial position of the Group as at 30 June 2019.

	2019	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
	Almoray Group	Upframe Group	Total
Assets of subsidiaries classified as held for sale:			
Property, plant and equipment	–	3,226	3,226
Prepayments, deposits and other receivables	35	1	36
Bank balances and cash	289	452	741
	324	3,679	4,003
Liabilities of subsidiaries classified as held for sale:			
Accrual and other payables	(673)	(19)	(692)
Net assets directly associated with subsidiaries classified as held for sale	(349)	3,660	3,311

Carrying amount of non-controlling interests approximately HK$180,000 is relating to Upframe Group as at 30 June 2019.

In accordance with HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the assets of the Upframe Group have been written down to their fair value less costs to sell of EUR400,000 (equivalent to HK$3,480,000). The fair value less costs to sell of the Upframe Group and Almoray Group was estimated with reference to the agreed selling price stipulated in the sale of purchase agreement as mentioned above, which is a non-recurring fair value measurement. An impairment loss of HK$3,556,000 has been recognised in profit or loss during the eighteen months ended 30 June 2019 and has been allocated to the property, plant and equipment of the Upframe Group.

The Disposal Group does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

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25. TRADE PAYABLES

The following is an ageing analysis of trade payables based on invoice date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0 – 90 days	448	362

The payment terms with suppliers are generally within 30 days.

26. ACCRUALS AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Accruals	2,692	1,537
Payable for acquisition of property, plant and equipment	3,900	–
Other payables	233	2,328
	6,825	3,865

All of the accruals and other payables are expected to be settled or recognised as income within one year or are payable on demand.

27. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
1 January 2018, 30 June 2019 and 30 June 2020	4,000,000	400,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1 January 2018 and 30 June 2019	946,928	94,693
Issue of new shares through placing *(note)*	189,380	18,938
At 30 June 2020	1,136,308	113,631

Notes to the Consolidated Financial Statements

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27. SHARE CAPITAL – Continued

note:

On 5 July 2019, the Company entered into a placing agreement with a placing agent to place up to 189,380,000 placing shares at the placing price of HK$0.12 per placing share, a discount of approximately 19.46% to the closing price of HK$0.149 per share as quoted on the Stock Exchange on the same date of the placing agreement. On 24 July 2019, 189,380,000 placing shares were placed to not less than six placees at HK$0.12 per placing share. Net proceed generated from this share placing amounted to approximately HK$22,500,000. HK$18,938,000 was credit to share capital and the balance of approximately HK$3,562,000 was credited to share premium account.

28. RESERVES

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity of the consolidated financial statements. The natures and purposes of reserves within equity are as follows:

Accumulated losses

Accumulated losses are the cumulative net losses of the Group sustained in the business.

Share premium

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be applied:

(a) in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares;

(b) in writing off

(i) the preliminary expenses of the Company; or

(ii) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or

(c) in providing for the premiums payable on redemption of any shares or of any debentures of the Company.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

28. RESERVES – Continued

Contributed surplus

Contributed surplus represents the remaining balance of the aggregate amount of credit arising from the capital reduction and the share premium cancellation after credit transfer to accumulated losses pursuant to the implementation of restructuring proposal on 27 April 2004 and to a resolution passed at a special general meeting on 1 December 2003.

General reserve

In accordance with the PRC regulations, the general reserves retained by a subsidiary in the PRC are non-distributable.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3.

29. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessor

At the end of the reporting period, the Group had total future minimum rent receivable under non-cancellable operating lease which fall due as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**63**	77
In the second year	**58**	65
In the third year	**58**	59
In the forth year	**58**	59
In the fifth year	**58**	59
Over five years	**306**	371
	601	690

Lease for land and building is negotiated for an average term of five to fifteen years (2019: five to fifteen years) at fixed rental.

Notes to the Consolidated Financial Statements

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29. OPERATING LEASE ARRANGEMENTS – Continued

(b) The Group as lessee

As at 30 June 2019, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2019
	HK$'000
Within one year	352
In the second to fifth year, inclusive	84
	436

Leases for land and building are negotiated for an average term one to two years at fixed rental.

30. SHARE BASED PAYMENTS

On 27 May 2016, the shareholders of the Company passed a resolution to approve for the termination of the Company's share option scheme adopted in 2006 (the "**Old Share Option Scheme**") and the adoption of a new share option scheme (the "**Share Option Scheme**"), which is an equity-settled share option scheme. The adoption of the Share Option Scheme will not in any event affect the terms of the grant of the outstanding options that has already been granted under the Old Share Option Scheme and those outstanding options shall continue to be valid and subject to the provisions of the Old Share Option Scheme.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

30. SHARE BASED PAYMENTS – Continued

Under the Share Option Scheme, which is valid for a period of ten years, the board of Directors of the Company may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("**Eligible Participants**") who include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing of the relevant resolution adopting the Share Option Scheme.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of the share option). In addition, for granting of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all share options granted and to be granted to such person in the 12-month period up to the date of such grant representing in aggregate over 0.1% of shares of the Company in issue and having an aggregated value based on the closing prices of the Company shares at the date of each grant, in excess of HK$5,000,000, such further grant of share options are subject to shareholders' approval in advance in a general meeting.

Notes to the Consolidated Financial Statements

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30. SHARE BASED PAYMENTS – Continued

The offer of a grant of share options may be accepted within 21 days from the date of the offer, and the share options in respect of which the offer was so accepted will be deemed to have been granted on the date of the offer. The acceptance of the share options is subject to payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, save that such period shall not be more than ten years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the Directors at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

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

No share options were outstanding at 30 June 2020 and 30 June 2019.

31. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme, Mandatory Provident Fund Scheme (the "**MPF Scheme**"), established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

Both of the employees' and the Group's contributions are calculated at 5% of the employee's monthly relevant income, with the mandatory cap of HK$30,000.

The employees of the Company's subsidiaries established in the PRC excluding Hong Kong are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

31. RETIREMENT BENEFIT SCHEMES – Continued

The subsidiaries established in Germany are required to make contributions to the local defined contribution scheme on a monthly basis pursuant to the local laws and regulations.

For the year ended 30 June 2020, the Group made contributions to the retirement benefit schemes of HK$791,000 (eighteen months ended 30 June 2019: HK$1,501,000). There were no forfeited contributions available for offset against existing contributions during the year and prior period.

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 12 April 2018, the Group entered into a sale and purchase agreement with Ms. Lai Olivia ("**Ms. Lai**") in relation to the acquisition of the entire share capital of Noble Ample, a company incorporated in Hong Kong, for a consideration of approximately HK$500,000. Noble Ample has not yet commenced its business. Ms. Lai, who is an independent third party, who owned 100% equity interests of Noble Ample before the acquisition. The completion date of the acquisition was 12 April 2018.

Assets acquired and liabilities recognised at the date of acquisition:

	12 April 2018 *HK$'000*
Intangible assets	500
Satisfied by:	
Cash	500
Net cash outflow in respect of acquisition of the subsidiary	
Consideration paid in cash	500

The directors of the Company are of the opinion that the acquisition of Noble Ample is in substance an acquisition of asset, instead of an acquisition of business, as Noble Ample has an intangible asset of money lending license without operation as at the acquisition date.

Notes to the Consolidated Financial Statements

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33. DISPOSAL OF SUBSIDIARIES

a) On 7 May 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose the Upframe Group at a consideration of EUR400,000 (equivalent to HK$3,480,000). The disposal was completed on 2 July 2019.

The aggregate amounts of the assets and liabilities attributable to the Upframe Group on the date of disposal were as follows:

	2020 HK$'000
Non-current asset	
Property, plant and equipment	3,171
Current assets	
Trade receivables	32
Cash and cash equivalents	444
	476
Total assets	3,647
Current liability	
Accruals and other payables	23
Net assets disposed of	3,624
Non-controlling interests	(182)
Release of translation reserve upon disposal of subsidiaries	203
Loss on disposal	(165)
	3,480
Consideration was settled by:	
Deposit received as at 30 June 2019	1,302
Cash consideration received during the year	2,178
	3,480
Net cash inflow on disposal of subsidiaries	
Cash consideration received during the year	2,178
Less: Cash and cash equivalents disposed of	(444)
	1,734

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the year prior to the disposal.

Notes to the Consolidated Financial Statements

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33. DISPOSAL OF SUBSIDIARIES – Continued

b) On 3 July 2019, the Group completed the disposal of the Almoray Group at a consideration of HK$300,000.

The aggregate amounts of the assets and liabilities attributable to the Almoray Group on the date of disposal were as follows:

	2020
	HK$'000
Current assets	
Prepayments, deposits and other receivables	34
Cash and cash equivalents	288
Total assets	322
Current liability	
Accruals and other payables	671
Net liability disposed of	(349)
Release of translation reserve upon disposal of subsidiaries	11
Gain on disposal	638
	300
Consideration was settled by:	
Cash consideration received during the year	300
Net cash inflow on disposal of subsidiaries	
Cash consideration received during the year	300
Less: Cash and cash equivalents disposed of	(288)
	12

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the year prior to the disposal.

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33. DISPOSAL OF SUBSIDIARIES – Continued

c) During the eighteen months ended 30 June 2019, Dongguan Innovative Power Equipment Limited, Green Energy Finance Limited, Green Energy Supplies Limited, Green Energy Trading Limited, Green Energy Waste Management Limited, Jensen Power Equipment Limited and Privilege Sino Limited, in which the Group had effective interest of 100% were disposed of the total consideration was HK$5,772,000.

The aggregate amounts of the assets and liabilities attributable to the subsidiaries on the date of disposal were as follows:

	2019 *HK$'000*
Non-current asset	
Property, plant and equipment *(Note 16)*	184
Current assets	
Financial assets at fair value through profit or loss	4,819
Other receivables and prepayments	398
Cash and cash equivalents	358
	5,575
Total assets	5,759
Current liability	
Other payables and accruals	1,108
Net assets disposed of	4,651
Release of translation reserve upon disposal of subsidiaries	254
Gain on disposal	867
	5,772
Consideration was settled by:	
Deposit received as at 31 December 2017	5,566
Cash consideration received during the period	206
	5,772
Net cash outflow arising on disposal	
Cash consideration received	206
Less: Cash and cash equivalents disposed of	(358)
	(152)

The subsidiaries disposed of during the period did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

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34. PARTIAL DISPOSAL OF INTEREST IN A SUBSIDIARY

On 22 August 2019, Casson China Limited ("**Casson**"), a wholly owned subsidiary of the Company, entered into an agreement (the "**Agreement**") with Blue Sky Global Holdings Limited ("**Blue Sky**") and CLO (Hong Kong) Limited ("**CLO**"), (Casson, Blue Sky and CLO are collectively referred to as the ("**Partners**")). Pursuant to the Agreement, the Partners have agreed to form a company by each becoming a shareholder of Blue Sky Recycling Technology (Japan) Company Limited (formerly known as "Recycled Plastics Pellets Manufacturing (Kobe) Company Limited") ("**Blue Sky Japan**") to carry on the business of plastic waste recycling and processing. It is also the intention of the Partners that Blue Sky Japan shall carry on the said business in Japan through a subsidiary to be incorporated in Japan.

As at the date of the Agreement, Blue Sky Japan is a wholly-owned subsidiary of Casson. Pursuant to the Agreement, Casson will transfer (i) 3,400 shares to Blue Sky at the price of HK$1 per share payable in cash in full and (ii) 1,500 shares to CLO at the price of HK$1 per share payable in cash in full upon execution of the Agreement. After completion of the said transfer of shares, Casson will hold 51% of the entire issued shares of Blue Sky Japan whereas Blue Sky and CLO will respectively hold 34% and 15% of the entire issued shares of Blue Sky Japan.

Upon the completion of the transfer of shares on 22 August 2019, the Group's equity interest in Blue Sky Japan was reduced from 100% to 51%; and therefore, it was considered as a partial disposal of Blue Sky Japan by the Group without loss of control. Since the partial disposal of Blue Sky Japan did not result in any loss of control, such transaction was accounted for as an equity transaction and the difference of approximately HK$3,000 between (i) the proceeds from the Agreement and (ii) the 49% carrying value of Blue Sky Japan, is recognised in "accumulated losses".

35. LEASE LIABILITIES

	2020
	HK$'000
Lease liabilities payable:	
Within one year	**883**
Within a period of more than one year but not more than two years	**–**
	883
Less: Amount due for settlement within 12 months shown under current liabilities	**883**
Amount due for settlement after 12 months shown under non-current liabilities	**–**

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36. RELATED PARTIES TRANSACTIONS

During the year/period, the Group had the following significant related party's transactions and balances:

(a) Significant related party transactions

	notes	**1.7.2019 to 30.6.2020 *HK$'000***	1.1.2018 to 30.6.2019 *HK$'000*
(i) Legal and professional fees paid to J. Chan Yip, So Partner, a solicitor firm in which the former executive director of the Company, Mr. Yip Wai Leung Jerry, is a partner	*(b)*	**N/A**	1,658
(ii) Green Strength Technology Limited, a non-controlling shareholder of a subsidiary			
a) Sale to a Green Strength Technology Limited		**–**	3,562
b) Purchase from Green Strength Technology Limited		**98,880**	69,822
c) Management fee paid to Green Strength Technology Limited		**250**	250
(iii) Interest expenses paid to Mr. Yip Wai Leung Jerry, a former director	*(a), (b)*	**N/A**	120
(iv) Chuang Tieh Plastic Technology Equipment Limited ("**Chuang Tieh**"), owned by Chou Pin Yen, a family member of Chou Pin Juo, the main shareholder of a non-controlling shareholder of a subsidiary			
a) Purchase of plant and equipment from Chuang Tieh		**7,800**	–
b) Repair and maintenance fee paid to Chuang Tieh		**637**	–

notes: (a) On 1 August 2018, the former director granted a loan of EUR100,000 bearing the interest rate of 4% p.a. On 25 October 2018, the former director further granted another loan of EUR300,000 bearing the interest rate of 5% p.a. All the loans and interest were waived by the former director on 28 June 2019.

(b) Mr. Yip Wai Leung Jerry resigned on 1 September 2018 as executive director.

(b) Significant related party balances

	notes	**1.7.2019 to 30.6.2020 *HK$'000***	1.1.2018 to 30.6.2019 *HK$'000*
(i) Amount due to Mr. Yip Wai Leung Jerry	*(a), (b)*	**N/A**	61
(ii) Amount due to Mr. Yip Wai Leung Jerry (included in liabilities associated with assets held for sale)	*(a), (b)*	**N/A**	648
(iii) Amount due to Green Strength Technology Limited	*(a)*	**–**	325
(iv) Trade receivable from Green Strength Technology Limited		**–**	674
(v) Trade payable to Green Strength Technology Limited		**354**	109

notes: (a) The loans from the related parties were unsecured, interest-free and repayable on demand.

(b) Mr. Yip Wai Leung Jerry resigned on 1 September 2018 as executive director.

(c) Compensation of key management personnel of the Group

Members of key management personnel of the Group whose remuneration is set out in Note 14.

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37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Capital management

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, issue of new shares and shares buy-backs as well as the issue of new debts.

(b) Financial instruments

(i) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised costs		
– Trade receivables	4,133	5,812
– Deposits and other receivables	1,663	17,895
– Loan and interest receivable	–	21,314
	5,796	45,021
Cash and cash equivalents	70,133	31,563
	75,929	76,584
Financial liabilities at amortised cost		
– Trade payables	448	362
– Accruals and other payables	6,631	3,865
– Lease liabilities	883	–
	7,962	4,227

Notes to the Consolidated Financial Statements

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37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, loan and interest receivables, deposits and other receivables, cash and cash equivalents, trade payables, accruals and other payables and lease liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong, the PRC excluding Hong Kong, Japan, and Germany. The functional currency of the Company and its subsidiaries are either HK$, RMB, Japanese Yen ("**JPY**") or Euro. The Group is exposed to currency risk arising from fluctuations on foreign currencies, primarily from those bank balances denominated in United States dollar ("**US$**") and Euro, against the respective functional currency of the respective Group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Summary of exposure

At the end of the reporting period, the Group's foreign currency denominated financial assets and liabilities and intra-group balances, translated into HK$ at the respective rates at that date, are as follows:

	2020			2019		
	Financial assets	**Financial liabilities**	**Net exposure**	Financial assets	Financial liabilities	Net exposure
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
US$	**11,574**	**(4,254)**	**7,320**	15,974	(109)	15,865
Euro	**6,688**	**–**	**6,688**	25,118	–	25,118
RMB	**20,819**	**(24,480)**	**(3,661)**	22,382	(24,480)	(2,098)
JPY	**1,701**	**–**	**1,701**	–	–	–

Notes to the Consolidated Financial Statements

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37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Currency exchange rate sensitivity analysis

The following table indicates the approximate change in the Group's loss for the period and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis also includes intra-group balances where the denomination of the loan is in a currency other than the functional currency of the lender/borrower. A positive number below indicates an increase in loss and accumulated losses where HK$ strengthen against (i) Euro, (ii) RMB and (iii) JPY. For a weakening of HK$ against (i) Euro, (ii) RMB and (iii) JPY, there would be an equal and opposite impact on the loss for the period and accumulated losses, and the balances below would be negative.

	2020		2019	
	Weakening of foreign exchange rates	**Effects on loss for the year and accumulated losses** *HK$'000*	Weakening of foreign exchange rates	Effects on loss for the period and accumulated losses *HK$'000*
(i) Euro	**3%**	**201**	3%	754
(ii) RMB	**3%**	**(110)**	3%	(63)
(iii) JPY	**3%**	**51**	–	–

The sensitivity analysis above has been determined assuming that the change in currency exchange rates had occurred at the beginning of the period and had been applied to the abovementioned financial instruments at that date and throughout the period constantly. The percentage increase or decrease represents management's assessment of a reasonably possible change in currency exchange rates over the period until the next annual reporting date.

The Group is mainly exposed to the foreign exchange risk of USD. Under the pegged exchange rate system, the financial impact on exchange difference between HK$ and USD will be immaterial as most USD denominated monetary assets and liabilities are held by group entities having HK$ as their functional currency, and therefore no sensitivity analysis has been prepared.

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37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Credit risk

The carrying amounts of the trade receivables, other receivables and deposits paid, loan and interest receivable and bank balance included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties. The Group manages the credit risk by setting up a team responsible for the determination of credit terms, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, the Group review the recoverable amount of each financial asset at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. Furthermore, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Before accepting any new borrower, the Group assesses the credit quality of each potential borrower and defines limits for each borrower. The loan receivable has been reviewed by management of the Company to assess impairment allowances which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.

To manage the risk arising from other receivables and deposits paid, the Group only transacts with reputable parties that have no default history and have a strong capacity to meet its contractual cash flow obligations in the near term. The credit risk on other receivables and deposits paid are limited. The management has assessed that the expected credit losses for other receivables and rental deposits paid are not significant.

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37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Credit risk – Continued

The credit risk on liquid funds of bank deposits is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies and authorised banks in the PRC.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Other financial assets	Trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL	Lifetime ECL – not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

Financial assets	Internal credit rating	12-months or lifetime ECL	2020 Gross carrying amount HK$'000	HK$'000	2019 Gross carrying amount HK$'000	HK$'000
Loan and interest receivables	Doubtful	Lifetime ECL – not credit-impaired		–		22,314
Trade receivables	*note*	Lifetime ECL – not credit-impaired	4,133		5,812	
	Loss	Lifetime ECL – credit-impaired	16	4,149	–	5,812
Deposits and other receivables	Loss	Lifetime ECL – credit-impaired	–		2,704	
	Low risk	12-month ECL	1,663		17,895	
	Written-off	Amount is written-off	1,115	2,778	–	20,599

note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix grouped by customer portfolio and past due status.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Credit risk – Continued

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation. The following tables provide information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of HK$16,000 as at 30 June 2020 (2019: Nil) were assessed individually.

	2020			2019		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
	%	HK$'000	HK$'000	%	HK$'000	HK$'000
Current	–	2,465	–	–	2,028	–
0 to 90 days past due	–	1,668	–	–	3,765	–
Over 365 days past due	–	–	–	–	19	–
		4,133	–		5,812	–

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effect. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 30 June 2020, loss allowance of HK$16,000 (2019: Nil) was made on a credit impaired debtor.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Credit risk – Continued

(i) The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*
As at 1 January 2018, 30 June 2019 and 1 July 2019	–	–
Impairment loss recognised	16	16
As at 30 June 2020	16	16

Changes in the loss allowance for trade receivables are mainly due to:

	2020 Increase in lifetime ECL credit-impaired
	HK$'000
Increase in gross carrying amount of trade receivables	**16**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Credit risk – Continued

(ii) The following table shows the reconciliation of loss allowances that has been recognised for loan and interest receivable.

	Lifetime ECL – not credit-impaired *HK$'000*
As at 1 January 2018	–
Impairment loss recognised	1,000
As at 30 June 2019 and 1 July 2019	1,000
Reversal of impairment loss	(1,000)
As at 30 June 2020	–

Changes in the loss allowance for loan and interest receivable are mainly due to:

	2020 Decrease in lifetime ECL – not credit-impaired *HK$'000*	2019 Increase in lifetime ECL – not credit-impaired *HK$'000*
Advance of new loan and interest receivable	**–**	1,000
Repayment of loan and interest receivable	**(1,000)**	–
	(1,000)	1,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Credit risk – Continued

(iii) The following table shows the reconciliation of loss allowances that has been recognised for deposits and other receivables.

	Lifetime ECL – credit-impaired *HK$'000*
As at 1 January 2018	921
Impairment loss recognised	1,783
As at 30 June 2019 and 1 July 2019	2,704
Disposal of subsidiaries	(2,704)
As at 30 June 2020	–

Concentration risk

As at 30 June 2020, the Group had concentration of credit risk of 52% of the Group's trade receivables were due from three customers. As at 30 June 2019, the Group has no significant concentration of credit risk in trade receivables with exposure spread over a number of counterparties.

As at 30 June 2020, the Group has a concentration of credit risk as 98% (2019: 87%) of the Group's deposits and other receivables was due from two debtors (2019: two debtors).

As at 30 June 2019, the Group had concentration of credit risk as the loan and interest receivable was due from one customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings and reputable banks in Hong Kong and PRC.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 30 June 2019, the Group's fair value interest-rate risk mainly arises from loan and interest receivables as disclosed in Note 20, which are issued at fixed rates which expose the Group to fair value interest-rate risk.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Interest rate risk – Continued

The Group has no significant cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any interest rate swaps to hedge potential fluctuations in interest rates. No sensitivity analysis is presented as the Directors considered the Group's exposure to cash flow interest rate risk is not material.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group is exposed to liquidity risk in respect of settlement of trade payables and accruals and other payables and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

In the management of the liquidity risk, the Directors monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

37. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Liquidity risk – Continued

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	Total contractual undiscounted cashflow *HK$'000*	**Within 1 year or on demand** *HK$'000*	**Carrying amounts** *HK$'000*
At 30 June 2020			
Trade payables	**448**	**448**	**448**
Accruals and other payables	**6,631**	**6,631**	**6,631**
Lease liabilities	**900**	**900**	**883**
	7,979	**7,979**	**7,962**

	Total contractual undiscounted cashflow *HK$'000*	Within 1 year or on demand *HK$'000*	Carrying amounts *HK$'000*
At 30 June 2019			
Trade payables	362	362	362
Accruals and other payables	3,865	3,865	3,865
	4,227	4,227	4,227

38. FAIR VALVE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost approximate to their fair value due to short-term maturities of these financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

39. DISCONTINUED OPERATION

(a) Background

On 2 February 2018, a subsidiary, ReKRETE (Asia) Limited ("**ReKRETE (Asia)**") which engaged in trading of bio-cleaning materials discontinued its operation as all sale order was completed. The discontinued operation of ReKRETE (Asia) resulted in lost of bio-cleaning materials segment and classified as discontinued operation.

On 7 May 2018 (the "**Completion Date**"), the Group sold a wholly owned subsidiary, ReKRETE International Limited (the "**Target Company**") together with its subsidiary, ReKRETE (Asia), collectively the ("**Target Group**"), ("**the Disposal**") to an independent third party at a consideration of HK$400,000.

(b) Financial performance and cash flow information

Financial information relating to the Target Group for the period to the Completion Date is set out below:

	1.1.2018 to 7.5.2018 *HK$'000*
Revenue	88
Cost of sales	(23)
Gross Profit	65
Administrative expenses	(142)
Loss of discontinued operation for the period	(77)
Gain on disposal of the Target Group	41
	(36)
Net cash inflow from operating activities	35
Net cash inflow from investing activities	400
Net cash inflow from financing activities	6
Net increase in cash from discontinued operation	441

39. DISCONTINUED OPERATION – Continued

(c) Gain on disposal of the Target Group

	2019
	HK$'000
Net assets disposed of	359
Gain on disposal	41
	400
Satisfied by:	
Cash received as consideration	400
Net cash inflow arising on disposal:	
Cash received as consideration	400
Less: bank balance and cash disposed of	(89)
	311

The consideration was determined by reference of the net asset value of the Target Group as at the Completion Date. As at 11 May 2018, the consideration has been fully paid.

(d) Analysis of assets and liabilities over which control was lost:

	7 May 2018
	HK$'000
Non-current asset	
Property, plant and equipment	5
Current assets	
Inventories	192
Other receivables	73
Cash and cash equivalents	89
Net assets disposal of	359

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		14	–
Interests in subsidiaries		–	–
		14	–
Current assets			
Prepayments, deposits and other receivables		357	1,754
Amounts due from subsidiaries		57,040	45,167
Cash and cash equivalents		270	615
		57,667	47,536
Current liabilities			
Accruals and other payables		1,392	590
Amounts due to subsidiaries		4,437	–
		5,829	590
Net current assets		51,838	46,946
Total assets less current liabilities		51,852	46,946
Net assets		51,852	46,946
EQUITY			
Share capital	27	113,631	94,693
Reserves	40(b)	(61,779)	(47,747)
Total equity		51,852	46,946

On behalf of the directors

Wong Sai Hung	**Luo Xian Ping**
Director	*Director*

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

40. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY – Continued

(b) Reserves of the Company

	Note	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
1 January 2018		411,449	56,897	(440,136)	28,210
Loss for the period		–	–	(75,957)	(75,957)
At 30 June 2019 and 1 July 2019		**411,449**	**56,897**	**(516,093)**	**(47,747)**
Issuance of share through placing	27	**3,562**	**–**	**–**	**3,562**
Loss for the year		**–**	**–**	**(17,594)**	**(17,594)**
At 30 June 2020		**415,011**	**56,897**	**(533,687)**	**(61,779)**

41. PARTICULARS OF THE COMPANY'S PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2020 are as follows:

Company name	Place of incorporation and registration/ operation	Issued share capital/ paid up capital	Attributable equity interests	Principal activities
EnviroAssets GmbH	Germany	EUR25,000	100%	Holding freehold land
EnviroEnergy GmbH	Germany	EUR500,000	100%	Holding freehold land
EnviroPlastics GmbH	Germany	EUR27,650	90%	Trading of plastic recycling materials and plastics processing provision
EnviroPower GmbH	Germany	EUR100,000	100%	Trading of waste construction materials and waste processing provision
Red Huge Limited	Hong Kong	HK$1	100%	Trading of metal scrap materials

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

41. PARTICULARS OF THE COMPANY'S PRINCIPAL SUBSIDIARIES – Continued

Company name	Place of incorporation and registration/ operation	Issued share capital/ paid up capital	Attributable equity interests	Principal activities
Blue Sky Recycling Technology (Japan) Company Limited (formerly known as Recycled Plastics Pellets Manufacturing (Kobe) Co. Limited)	Hong Kong	HK$10,000	51% (2019: 100%)	Trading of plastics recycling materials and plastics processing provision
Blue Sky Recycling Technology (Tokyo) Company Limited	Japan	JPY9,990,000	51% *(note)*	Plastics processing provision
Green Strength (International) Limited	Hong Kong	HK$7,800,000	60%	Trading of recyclable oil
Sande Agro GmbH	Germany	EUR25,000	100%	Holding of freehold land
Noble Ample Limited	Hong Kong	HK$500,000	100%	Money lending

note: The company was incorporated on 18 December 2019.

None of the subsidiaries had issued any debt securities at the end of the period.

The table below shows details of non-wholly owned subsidiaries of the Group that has material non-controlling interests:

Company name	Place of incorporation and principal place of business	Accumulated non-controlling interests 2020 HK$'000	2019 HK$'000
Green Strength (International) Limited (i)	Hong Kong	**3,088**	3,091
EnviroPlastics GmbH (ii)	Germany	**(2,161)**	(1,430)
Individually immaterial subsidiaries with non-controlling interests	Germany & Japan	**(792)**	181
		135	1,842

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before inter-company eliminations.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

41. PARTICULARS OF THE COMPANY'S PRINCIPAL SUBSIDIARIES – Continued

(i) Green Strength (International) Limited

	2020 HK$'000	2019 HK$'000
Non-controlling interests percentage	40%	40%
Non-current assets	–	–
Current assets	15,966	13,821
Current liabilities	(8,246)	(6,094)
Net assets	7,720	7,727
Carrying amount of non-controlling interests	3,088	3,091
Revenue	99,314	75,184
Loss for the year/period	(7)	(34)
Total comprehensive expenses	(7)	(34)
Loss allocated to non-controlling interests	(3)	(8)
Dividend paid to non-controlling interests	–	–
Net cash generated from/(used in) operating activities	10,416	(10,816)
Net cash generated from investing activities	26	–
Net cash (used in)/generated from financing activities	(3,300)	13,100

(ii) EnviroPlastics GmbH

	2020 HK$'000	2019 HK$'000
Non-controlling interests percentage	9.58%	9.58%
Non-current assets	5,100	6,045
Current assets	3,281	1,956
Current liabilities	(30,925)	(22,921)
Net liabilities	(22,544)	(14,920)
Carrying amount of non-controlling interests	(2,161)	(1,430)
Revenue	6,413	10,600
Loss for the year/period	(7,826)	(6,558)
Total comprehensive expenses	(7,625)	(6,195)
Loss allocated to non-controlling interests	(750)	(628)
Dividend paid to non-controlling interests	–	–
Net cash used in operating activities	(9,236)	(1,719)
Net cash used in investing activities	(16)	(83)
Net cash generated from financing activities	8,876	3,940

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

42. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK$'000	Amount due to a former director (included in "Accrual and other payables") HK$'000	Total HK$'000
At 1 January 2018	–	–	–
Loan from a former director	–	5,054	5,054
Interest charged	–	120	120
Waive of debt due to a former director	–	(3,771)	(3,771)
Reclassified as liabilities associated with assets held for sale	–	(648)	(648)
Derecognition of liabilities upon disposal of subsidiaries	–	(694)	(694)
At 30 June 2019	–	61	61
Changes from financing cash flows:			
Repayment of lease liabilities	**(1,122)**	**–**	**(1,122)**
Interest paid	**(79)**	**–**	**(79)**
Repayment to a former director	**–**	**(61)**	**(61)**
Total changes from financing cash flows	**(1,201)**	**(61)**	**(1,262)**
Other changes:			
New lease entered	**2,005**	**–**	**2,005**
Interest expenses	**79**	**–**	**79**
Total other changes	**2,084**	**–**	**2,084**
At 30 June 2020	**883**	**–**	**883**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

43. MAJOR NON-CASH TRANSACTIONS

During the year, the Group has no major non-cash transactions.

44. EVENTS AFTER REPORTING PERIOD

After the end of the reporting period, the outbreak of novel coronavirus ("**COVID-19**") continues to spread across the world. The COVID-19 has impact on the business operations of the Group and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this report, the assessment is still in progress. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

45. COMPARATIVES FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

46. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 September 2020.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

	30 June		31 December		
	2020	2019	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		
Results					
Revenue	**113,860**	96,915	41,515	2,552	1,211
Loss attributable to owners of the Company	**(26,327)**	(25,899)	(3,118)	(36,630)	(43,148)
Assets and liabilities					
Total assets	**109,292**	110,482	145,528	56,146	81,894
Total liabilities	**(8,162)**	(4,919)	(18,160)	(4,919)	(9,622)
Total equity attributable to the owners of the Company	**100,995**	103,721	128,016	51,399	72,272