PALADIN LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 495

2020
Annual Report

Contents

Corporate Information

DIRECTORS

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

Non-executive Directors:
Chan Chi Ho
Yuen Chi Wah

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

COMPANY SECRETARY

Chan Chi Ho

AUDITOR

RSM Hong Kong

PRINCIPAL BANKERS

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

SOLICITORS

David Norman & Co.

PRINCIPAL REGISTRARS

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

REGISTRARS IN HONG KONG

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

PRINCIPAL OFFICE

Suite 705, 7th Floor, Tower 5,
The Gateway,
Harbour City,
Tsim Sha Tsui,
Kowloon,
Hong Kong

REGISTERED OFFICE

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND PROSPECTS

The Group recorded a loss of approximately HK$136 million as compared to a loss of approximately HK$65 million for the corresponding period in 2019. Such increase in loss is mainly due to fair value losses on the Group's investment properties of HK$65 million as compared to fair value gains on investment properties of approximately HK$15 million for the corresponding period in 2019.

Properties investment

Turnover of the Group for the year ended 30 June 2020 comprising rental income from its investment properties amounted to approximately HK$8 million (2019: HK$8 million).

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

Development of high technology products

Due to COVID-19's effect and restrictions on the world economy, we have experienced some setbacks in our technology operations. However, we are still able to show some progress during the financial year under review in the Group's development of the next generation technology for a number applications involving imaging, surveillance, navigation and advanced semi-conductor processing. The technology division of the Group now comprises six operations in five countries employing about 85 research and development engineers. To date the Group, together with the Finnish Funding Agency for Technology and Innovation which has matched our investment in our Finnish operations, has invested around HK$140 million and further substantial investment is anticipated in the coming years. Some of the technology division in Finland are beginning to generate revenue of approximately HK$4 million in the current year but not as much as had been expected due to the unforeseeable COVID-19 pandemic. It is expected that sales of a number of technological products or systems developed by the Group will continue or will have commenced sales soon and we are aiming that by the calendar year 2025 our technology division will be generating sales of US$100 million.

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

– Pexray Oy – 79.4% held, based in Espoo, Finland and intends to set up a manufacturing facility in Vietnam in the near future. Pexray Oy is engaged in the development of portable x-ray imaging systems used in inspection devices for security and counter-intelligence applications in such areas on baggage scanning, border control and customs, the detection of explosive devices, forensic investigation and security at large scale sporting and other events.

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

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

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

– Next Level A.1. Solution, LLC – 100% held, based in California, the United States of America. Next Level is engaged in the development of ambient display solutions and advanced algorithm and software solutions for use, for example, in advanced driver assistance systems by identifying hazards in poor visibility, collision warning systems and driver awareness systems and for advanced traffic monitoring and control systems.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, net current assets of the Group were approximately HK$33 million. The current ratio, current assets divided by current liabilities, was 1.18. The bank balances and cash were approximately HK$210 million.

As at 30 June 2020, the Group has outstanding liabilities of approximately HK$203 million comprising (i) trade and other payables of approximately HK$16 million, (ii) amounts due to related parties of approximately HK$35 million, (iii) secured bank borrowings of approximately HK$101 million, (iv) convertible notes of approximately HK$31 million and other borrowings and liabilities of approximately HK$20 million. Secured bank borrowings are on floating interest rates basis.

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

The Group's bank borrowings were secured by leasehold land and buildings of approximately HK$191 million and a deposit placed for a life insurance policy of approximately HK$19 million.

The Group's gearing ratio, total debts divided by total assets, was approximately 19.07%.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2020, except for the business combination with respect to Imagica Technology Inc., the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2020, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed total of 99 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

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

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2019: nil).

ACKNOWLEDGEMENT

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

By order of the Board
Oung Shih Hua, James
Chairman

Hong Kong
28 September 2020

Biography of Directors

EXECUTIVE DIRECTOR

Dr. Oung Shih Hua, James, aged 45, joined the Group in 1995. He holds a Bachelor of Science degree in finance and international business from New York University, a master's degree in psychology, and a Doctorate of Philosophy in applied psychology from East China Normal University. Dr. Oung is also a designated Fellow at Life Management Institute (FLMI). He is currently the chairman of a private technology company.

NON-EXECUTIVE DIRECTORS

Mr. Yuen Chi Wah, aged 60, joined the Group as the financial controller in 2007 and was appointed as non-executive director on 1 August 2014. He has over 41 years working experience in corporate finance, financial management, auditing, accounting, and acquisitions gained from certain senior related positions in an audit firm in Hong Kong, and possess extensive experience in management in the field of garments, electronic industrial and property development.

Mr. Chan Chi Ho, aged 49, first joined the Group as company secretary in 2003 and was appointed as non-executive director on 1 August 2014. Prior to joining to the Group, Mr. Chan worked in an international accounting firm and served as its audit manager. He has over 25 years of experience in accounting and financial management. Mr. Chan holds a Bachelor of Arts degree in business studies and a master's degree in corporate governance from The Hong Kong Polytechnic University. He is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He also is a member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Au Chik Lam Alexander, aged 76, joined the Group in 2015. Dr. Au holds a Bachelor of Science degree in electrical engineering from The University of California, Los Angeles, a Master of Science degree and a Doctor of Philosophy in electrical engineering from Stanford University. Dr. Au has worked in technology industries in the United States and Taiwan for many years. He currently is a founder and Chief Executive Officer of a private company.

Mr. Liu Man Kin Dickson, aged 47, joined the Group in 2015 as an independent non-executive director. He has over 25 years of experience in auditing, tax planning, management consulting and company restructuring. He is currently a sole proprietor of an audit firm and a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. Luo Rongxuan, aged 65, joined the Group in 2017 as an independent non-executive director. He graduated from Radio Department of Anhui University. Mr. Luo has over 35 years of experience in radio management. He was an engineer in Office of Radio Regulation Committee in Anhui Province and the head of the radio monitoring station, and then he was a director of the infrastructure division of Anhui Economic and Information Technology Commission. He worked at Anhui Economic and Information Technology Commission as a director of the private enterprise division before his retirement in 2014.

Corporate Governance Report

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company. During the year ended 30 June 2020, the Company has complied with all the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for certain deviations disclosed herein.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the year ended 30 June 2020.

BOARD OF DIRECTORS

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

The composition of the Board represents a mixture of expertise specializing in management, property market industry, electronics industry, accounts and finance and corporate development. All of the Directors have comprehensive qualifications and experience in and exposure to diversified businesses which is beneficial to the business development of the Company.

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

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

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

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

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

During the year ended 30 June 2020, five Board meetings and the annual general meeting for the year 2019 ("AGM") were held with details of the directors' attendance set out below:

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

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

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

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

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

NOMINATION COMMITTEE

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

The main duties and responsibilities of the nomination committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of Directors.

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

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

One nomination committee meeting was held during the year ended 30 June 2020 to, inter alia, review the structure, size and composition of the Board; assessed the independence of the independent non-executive directors; and reviewed and made recommendation to the Board on re-election of retiring directors. The attendance of each member (either in person or by phone) during the year are set out as follows:

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

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

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

No remuneration committee meeting was held during the year ended 30 June 2020.

AUDIT COMMITTEE

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

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

Two audit committee meetings were held during the year ended 30 June 2020. The attendance of each member (either in person or by phone) during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Liu Man Kin Dickson *(Chairman)*	2/2
Au Chik Lam Alexander	1/2
Chan Chi Ho	2/2
Luo Rongxuan	0/2

During the year ended 30 June 2020, the Audit Committee met mainly to review the Company's annual report for the year ended 30 June 2019, the Company's interim report for the six months ended 31 December 2019, the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the internal control system and related issues.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

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

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

DIVIDEND POLICY

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

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

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

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

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

INDUCTION AND PROFESSIONAL DEVELOPMENT

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

During the year under review, directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. Respective seminars provided by Tang Tso & Lau, Solicitors, on the topics relating to the roles, functions and duties of the directors were organized so as to update and develop the Board members' expertise.

Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the company secretary for record.

Below is a summary of training received by Directors for the year ended 30 June 2020:

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

COMPANY SECRETARY

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

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

EXTERNAL AUDITOR AND THEIR REMUNERATION

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

For the year ended 30 June 2020, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

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

INTERNAL CONTROL

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

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

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

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

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

SHAREHOLDERS' RIGHTS

(I) Convene a Special General Meeting

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

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

(II) Send Enquiries to the Board

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

INVESTOR RELATIONS

During the year ended 30 June 2020, there has not been any change in the Company's constitutional documents.

Environmental, Social and Governance Report

In accordance with the requirements set forth in Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Guide") of the Listing Rules, the Group hereby presents the Environmental, Social and Governance report for the year ended 30 June 2020.

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

A. ENVIRONMENTAL

The Group has established environmental policies for the Group's employees which covered the material environmental issues including emissions, use of resources and other environmental impact as described in the sections below. The Group also comply with relevant environmental laws and regulations and did not note any cases of material non-compliance during the year ended 30 June 2020.

A1 Emissions

A1.1 Air Emissions

Emissions Data from Gaseous Fuel Consumption

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

Emissions Data from Vehicles

Emissions from operations are mainly generated from vehicles of the Group. For the purpose of complying with the disclosure requirements under the ESG Guide, details of air emissions data for the year ended 30 June 2020 are shown as follows:

Type of emissions	**Unit**	**2020**	2019
Nitrogen oxides (NO_x)	Kg	**4.4**	5.6
Sulphur oxides (SO_x)	Kg	**0.1**	0.2
Particulate matter (PM)	Kg	**0.3**	0.4

A1.2 Greenhouse Gas Emissions

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

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

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

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

The main source of the GHG emissions, measured in terms of carbon dioxide equivalent ("CO_2e"), arising from our business activities for the year ended 30 June 2020 is mainly the consumption of gasoline and electricity purchased from power companies. Other indirect emissions under Scope 3 that occur outside the Group are not significant and accordingly such emission data are not produced in this report.

GHG emissions data for the year ended 30 June 2020 are as follows:

			CO_2e emissions	
		Unit	**2020**	2019
Scope 1	Gasoline consumed by vehicles	Ton	**17**	22
Scope 2	Electricity purchased	Ton	**200**	156
	Total		**217**	178

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

A1.3 Hazardous Waste

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

A1.4 Non-hazardous Waste

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

A1.5 Measures to Mitigate Emissions

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

A1.6 Measures to Mitigate Non-hazardous Waste

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

A2 Use of Resources

A2.1 Energy Consumption

Direct and/or indirect energy consumed for the year ended 30 June 2020 are as follows:

Type	**Unit**	**Total consumption**		**Intensity per employee**	
		2020	2019	**2020**	2019
Gasoline	Litre	**7,299**	9,380	**74**	98
Electricity purchased	Kwh	**200,116**	156,054	**2,021**	1,626

A2.2 Water Consumption

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

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

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

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

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

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

A2.5 Packaging Material

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

A3 The Environment and Natural Resources

The Group recognises the responsibility in managing the Group's impact on the environment. For this reason, the Group has adopted series of initiatives as set out above in order to minimise emissions and consumption of energy and resources. The Group closely monitors the utilisation of resources and shall take appropriate actions to seek opportunities for increasing operating efficiency in order to reduce the consumption on non-renewable resources where possible. The Group shall assess the environmental risks of the Group's operations and ensure the Group's compliance with relevant laws and regulations from time to time. During the year ended 30 June 2020, the Group did not recognise any significant impact of its activities on the environment and natural resources.

B. SOCIAL

B1 Employment

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

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

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

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

The Group did not note any cases of material non-compliance regarding the Group's labour practices during the year ended 30 June 2020.

B2 Health and Safety

Although our operation is predominantly office-based, we adhere to Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong) and other applicable laws and regulations to provide a safe and healthy workplace in order to protect our employees from occupational hazards. The Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact to the Group in providing a safe working environment and protecting employees from occupational hazards during the year ended 30 June 2020.

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

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

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

– Smoking is prohibited in all enclosed areas within the offices

With the above measures, we have no work-related fatal or work-related injury during the year ended 30 June 2020.

B3 Development and Training

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

B4 Labour Standards

Anti-Child and Forced Labour

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

The Group did not note any cases of material non-compliance with laws and regulations in relation to labour standards during the year ended 30 June 2020.

B5 Supply Chain Management

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

For the year ended 30 June 2020, we do not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

B6 Product Responsibility

Services

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

Data Privacy

The Group understands the importance of data privacy. The Group is committed to protecting the privacy of its customers in the collection, processing and use of their personal data. The Group has adopted policies on consumer data protection in compliance with relevant laws and regulations. Training courses on data privacy and protection of data have been conducted. The Group did not note any cases of material non-compliance in relation to data privacy during the year ended 30 June 2020.

B7 Anti-corruption

We commit to stringent compliance with the Prevention of Bribery Ordinance ("POBO") enforced by the Independent Commission Against Corruption ("ICAC") in order to maintain a fair and just society. As the cornerstone of our corporate culture, we attach great emphasis to maintaining the highest standards of integrity and honesty. We adopt our zero-tolerance policy for misconduct. We have no hesitation to adopt disciplinary actions upon any proven misconduct case. We did not receive any whistleblowing disclosures for the year ended 30 June 2020. There was no significant risks relating to corruption have been identified.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the Group relating to bribery, extortion, fraud and money laundering for the year ended 30 June 2020.

B8 Community Investment

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

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 46 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and the analysis of the Group's performance for the year ended 30 June 2020 as well as prospects of the Group's business are provided in the "Chairman's Statement" of this Annual Report.

Principal risks and uncertainties

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

– Business Risk

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

  The Group makes significant investment in high technology products. The market of high technology is characterised by changing technologies and periodic new products introductions. The Group's research and development efforts may not be successful or yield the anticipated level of economic benefits. Even if the Group's research and development efforts are successful, the Group may not be able to apply these newly developed technologies to products that will be accepted by the market or apply them in a timely manner to take advantage of the opportunities presented in the market.

– Market Risk

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

The market of high technology products is highly competitive with relatively short product cycles. The Group needs to continue exploring opportunities in technology innovation and keep investing in products research and development. In addition, the operations Group's technology division in different countries may also be exposed to the risks of policy changes, currency fluctuation, interest rate changes, demand supply imbalance, changes in the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations. The Group may face challenges in implementing its business strategies, and its ability to achieve its goals may be adversely affected by the above factors, some of which are beyond its control.

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

Events after the reporting period

Details of significant events occurring after the reporting period are set out in note 47 to the consolidated financial statements.

Financial key performance indicators

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

Environmental policies and performance

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

Compliance with the relevant laws and regulations

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

Relationship with employees and customers

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

RESULTS

The results of the Group for the year ended 30 June 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

SHARE CAPITAL

Details of movements in the Company's issued share capital and share options during the year are set out in notes 36 and 39 to the consolidated financial statements.

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution to Shareholders as at 30 June 2020 was the accumulated profits of HK$312,411,000.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 30 June 2020, aggregate revenue attributable to the Group's largest and five largest customers accounted for 70% and 93% of the Group's total revenue respectively. For the year ended 30 June 2020, purchases from the Group's largest and five largest suppliers accounted for 20% and 69% of the Group's total cost of sales respectively.

None of the Directors or any of their associates or any shareholders of the Company (which to the best of the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers for the year ended 30 June 2020.

DIRECTORS

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

Executive director:

Oung Shih Hua, James

Non-executive directors:

Chan Chi Ho
Yuen Chi Wah

Independent non-executive directors:

Au Chik Lam Alexander
Liu Man Kin Dickson
Luo Rongxuan

In accordance with the provisions of the Company's Bye-laws, Messrs. Au Chik Lam Alexander and Liu Man Kin Dickson retire and, being eligible, offer themselves for re-election.

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

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

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

DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the interests and short positions of the directors of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") were as follows:

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

Name of director	Capacity	Number of ordinary shares held	Number of underlying shares – share options*	Total	Percentage of interest
Oung Shih Hua, James	Beneficial owner	15,724,999	39,772,190	55,497,189	3.88%
Chan Chi Ho	Beneficial owner	–	39,772,190	39,772,190	2.78%
Yuen Chi Wah	Beneficial owner	–	39,772,190	39,772,190	2.78%

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

Other than as disclosed above, as at 30 June 2020, none of the directors, chief executive of the Company nor their associates had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the persons (other than the directors of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name of Shareholder	Capacity	Number of Ordinary Shares held	Number of underlying shares – share options	Number of underlying shares – convertible notes	Total	Percentage of interest
Basurto Holdings Limited *(Note a)*	Interest of a controlled corporation	508,848,531	–	–	508,848,531	35.61%
Cityguard Holdings Limited *(Note b)*	Beneficial owner	508,848,531	–	–	508,848,531	35.61%
Five Star Investments Limited *(Note c)*	Interest of a controlled corporation	508,848,531	–	–	508,848,531	35.61%
Gold Seal Holdings Limited *(Note d)*	Beneficial owner	309,388,211	–	228,605,681	537,993,892	37.65%
Next Level Corporate Limited *(Note e)*	Other *(Note e)*	508,848,531	–	–	508,848,531	35.61%
Mr. Oung Da Ming	Beneficial owner	75,000,000	39,772,190	15,000,000	129,772,190	9.08%
	Interest of a controlled corporation *(Note a)*	508,848,531	–	–	508,848,531	35.61%
	Interest of a controlled corporation *(Note d)*	309,388,211	–	228,605,681	537,993,892	37.65%
		893,236,742	39,772,190	243,605,681	1,176,614,613	82.34%
Ms. Hsu Ong Hsiao Ling	Beneficial owner	–	39,772,190	–	39,772,190	2.78%
	Interest of a controlled corporation *(Note d)*	309,388,211	–	228,605,681	537,993,892	37.65%
		309,388,211	39,772,190	228,605,681	577,766,082	40.43%

Notes:

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

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

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

(d) Gold Seal Holdings Limited is owned as to 50% by Mr. Oung Da Ming and 50% by his sister, Ms. Hsu Ong Hsiao Ling.

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

Other than as disclosed above, as at 30 June 2020, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Option Scheme

The Share Option Scheme was adopted by the Company on 8 December 2015 for the purpose of providing incentives or rewards to selected participants for their contributions to the Group. Details of the Share Option Scheme are set out in note 39 to the consolidated financial statements.

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

	Number of Options								
Grantees	**Outstanding as at 01.07.2019**	**Granted during the year**	**Cancelled during the year**	**Lapsed during the year**	**Exercise during the year**	**Outstanding as at 30.6.2020**	**Exercise price per Share** *HK$*	**Grant Date**	**Exercise period**
Directors									
Oung Shih Hua, James	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	–	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Chan Chi Ho	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	–	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Yuen Chi Wah	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	–	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Substantial shareholders									
Oung Da Ming	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	–	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Hsu Ong Hsiao Ling	13,676,400	–	–	–	–	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	–	–	–	–	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Associates of substantial shareholders *(note)*	41,029,200	–	–	–	–	41,029,200	0.321	30 May 2016	30 May 2016 – 29 May 2026
	40,487,370	–	–	–	–	40,487,370	0.296	23 June 2017	23 June 2017 – 22 June 2027
	37,800,000	–	–	–	–	37,800,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Employees	27,352,800	–	–	–	–	27,352,800	0.321	30 May 2016	30 May 2016 – 29 May 2026
	26,991,580	–	–	–	–	26,991,580	0.296	23 June 2017	23 June 2017 – 22 June 2027
	25,200,000	–	–	–	–	25,200,000	0.179	9 November 2018	9 November 2018 – 8 November 2028

Note:

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

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the directors' interest in contracts of significance are set out in note 45 to the consolidated financial statements.

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into during the year are set out in note 45 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

Save for convertible notes and share option scheme of the Company as disclosed in notes 32 and 39 respectively to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year ended 30 June 2020, the Company repurchased 32,865,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HK$4.8 million. Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares.

USE OF NET PROCEEDS FROM THE OPEN OFFER

Net proceeds from the open offer by way of convertible notes in December 2017 amounted to approximately HK$63.2 million. As at 30 June 2020, a total amount of approximately HK$16 million out of net proceeds had been used by the Group according to the allocation set out in the offering circular.

	Proposed Use of Proceeds *HK$'000*	Amount utilised up to 30 June 2020 *HK$'000*	Unused proceeds as at 30 June 2020 *HK$'000*
• Purchase of land	7,800	–	7,800
• Construction of facilities	39,000	–	39,000
• Operation costs	16,400	16,400	–
Total	63,200	16,400	46,800

The delay in use of HK$7.8 million for purchase of land came about because of the unfortunate illness, and subsequent death in November 2019, of the member of senior management of its Finland-based subsidiary who was primarily responsible for conducting negotiations, followed by the outbreak of the coronavirus pandemic in the first half of 2020, both of which severely impaired progress in, and have now halted, negotiations.

Negotiations are at present on hold due to travel and other restrictions imposed, and the commercial uncertainties arising, as a result of the coronavirus pandemic. As a result, the Group is unable to give any meaningful estimate of when they will re-commence or the time they will take to complete but hopes that if the pandemic-related restrictions are eased in time, and the negotiations are successful, they will be completed in the next 12 months.

The facilities that are intended to be financed by the HK$39 million earmarked for construction of facilities are intended to be built on the land the acquisition of which is still being negotiated and accordingly will not be used for that purpose unless and until the land is acquired.

AUDIT COMMITTEE

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

EMOLUMENT POLICY

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

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 30 June 2020 as required under the Listing Rules.

AUDITOR

Deloitte Touche Tohmatsu resigned as the auditors of the Company with effect from 26 February 2019. RSM Hong Kong has been appointed as the new auditors of the Company to fill the casual vacancy with immediate effect to hold office until the conclusion of the next annual general meeting of the Company. RSM Hong Kong was appointed as auditor at the Company at the 2019 annual general meeting. Save as disclosed above, there was no other changes in the Company's auditor in the past three years.

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

On behalf of the Board
Oung Shih Hua, James
Chairman

Hong Kong
28 September 2020

Independent Auditor's Report

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

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

OPINION

We have audited the consolidated financial statements of Paladin Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 122, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is valuation of investment properties:

KEY AUDIT MATTERS (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 19 to the consolidated financial statements. Management has estimated the fair value of the Group's investment properties to be approximately HK$592,300,000 as at 30 June 2020 and a fair value loss on investment properties of approximately HK$64,800,000 was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020. An independent external valuation was obtained in order to support management's estimate. The valuation of the investment properties involved significant unobservable inputs which require significant management judgement.	Our procedures in relation to this matter included: – Evaluating the independent external valuer's competence, capabilities and objectivity; – Assessing the appropriateness of the valuation methodology used; – Assessing the reasonableness of the key assumptions based on our knowledge of the property market and the characteristics of the properties; – Checking on a sample basis, the accuracy and relevance of the input data used; and – Assessing the adequacy of the disclosures in relation to the fair value measurement of the investment properties.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

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

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

RSM Hong Kong
Certified Public Accountants
Hong Kong
28 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 *HK$'000*	2019 *HK$'000*
Revenue	8	**11,742**	8,199
Cost of sales		**(1,986)**	–
Gross profit		**9,756**	8,199
Other income	9	**2,741**	894
Other (losses)/gains	10	**(68,180)**	22,603
Administrative and other operating expenses		**(76,541)**	(89,900)
Loss from operations		**(132,224)**	(58,204)
Finance costs	12	**(4,504)**	(3,605)
Gain on deemed disposal of an associate	24	**3,772**	–
Share of loss of an associate		**(2,714)**	(3,003)
Loss before tax		**(135,670)**	(64,812)
Income tax expense	13	**(439)**	–
Loss for the year	14	**(136,109)**	(64,812)
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(1,049)**	(1,715)
Other comprehensive income for the year, net of tax		**(1,049)**	(1,715)
Total comprehensive income for the year		**(137,158)**	(66,527)
Loss for the year attributable to:			
Owners of the Company		**(128,591)**	(58,170)
Non-controlling interests		**(7,518)**	(6,642)
		(136,109)	(64,812)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(129,205)**	(59,480)
Non-controlling interests		**(7,953)**	(7,047)
		(137,158)	(66,527)
Loss per share	18		
Basic (HK cents per share)		**(8.96)**	(4.05)
Diluted (HK cents per share)		**(8.96)**	(4.30)

Consolidated Statement of Financial Position

At 30 June 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Investment properties	19	**592,300**	657,100
Property, plant and equipment	20	**199,262**	205,160
Right-of-use assets	21	**2,521**	–
Goodwill	22	**2,179**	–
Intangible assets	23	**2,485**	–
Interest in an associate	24	**–**	4,398
Financial assets at fair value through profit or loss ("FVTPL")	25	**50,917**	52,143
Total non-current assets		**849,664**	918,801
Current assets			
Inventories	26	**2,276**	1,993
Trade and other receivables	27	**4,940**	4,476
Bank and cash balances	28	**209,785**	250,714
Total current assets		**217,001**	257,183
Current liabilities			
Trade and other payables	29	**15,843**	13,245
Due to related parties	30	**34,638**	14,824
Secured bank borrowings	31	**101,290**	103,457
Convertible notes	32	**30,649**	28,733
Other borrowings	33	**582**	–
Lease liabilities	34	**1,366**	–
Current tax liabilities		**–**	298
Total current liabilities		**184,368**	160,557
Net current assets		**32,633**	96,626
Total assets less current liabilities		**882,297**	1,015,427

Consolidated Statement of Financial Position (Cont'd)

At 30 June 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Non-current liabilities			
Other borrowings	33	**17,014**	12,430
Lease liabilities	34	**1,367**	–
Deferred tax liabilities	35	**671**	–
Total non-current liabilities		**19,052**	12,430
NET ASSETS		**863,245**	1,002,997
CAPITAL AND RESERVES			
Share capital	36	**14,290**	14,387
Reserves	38	**863,491**	998,144
Equity attributable to owners of the Company		**877,781**	1,012,531
Non-controlling interests		**(14,536)**	(9,534)
TOTAL EQUITY		**863,245**	1,002,997

Approved by the Board of Directors on 28 September 2020 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000*	Translation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Convertible notes reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 July 2018	14,361	193,322	21,766	9	6,092	9,722	46,682	768,217	1,060,171	(3,335)	1,056,836
Adjustment on initial application of HKFRS 9	–	–	–	–	(6,092)	–	–	6,092	–	–	–
Restated at 1 July 2018	14,361	193,322	21,766	9	–	9,722	46,682	774,309	1,060,171	(3,335)	1,056,836
Issue of shares upon conversion of convertible notes *(note 32(a))*	26	629	–	–	–	–	–	–	655	–	655
Capital contribution to a non-wholly owned subsidiary	–	–	–	–	–	–	–	(445)	(445)	445	–
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	403	403
Total comprehensive income for the year	–	–	–	(1,310)	–	–	–	(58,170)	(59,480)	(7,047)	(66,527)
Share-based payments *(note 39)*	–	–	–	–	–	–	11,630	–	11,630	–	11,630
Changes in equity for the year	26	629	–	(1,310)	–	–	11,630	(58,615)	(47,640)	(6,199)	(53,839)
At 30 June 2019	14,387	193,951	21,766	(1,301)	–	9,722	58,312	715,694	1,012,531	(9,534)	1,002,997

For the year ended 30 June 2020

	Attributable to owners of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Treasury share reserve** *HK$'000*	**Other reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Convertible notes reserve** *HK$'000*	**Share option reserve** *HK$'000*	**Accumulated profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 July 2019	14,387	193,951	–	21,766	(1,301)	9,722	58,312	715,694	1,012,531	(9,534)	1,002,997
Repurchase of shares *(note 36)*	–	–	(4,832)	–	–	–	–	–	(4,832)	–	(4,832)
Transaction costs attributable to repurchase of shares	–	(40)	–	–	–	–	–	–	(40)	–	(40)
Cancellation of shares *(note 36)*	(97)	(1,446)	1,543	–	–	–	–	–	–	–	–
Capital contribution to a non-wholly owned subsidiary	–	–	–	–	–	–	–	(673)	(673)	673	–
Total comprehensive income for the year	–	–	–	–	(614)	–	–	(128,591)	(129,205)	(7,953)	(137,158)
Arising on business combination *(note 42)*	–	–	–	–	–	–	–	–	–	2,278	2,278
Changes in equity for the year	(97)	(1,486)	(3,289)	–	(614)	–	–	(129,264)	(134,750)	(5,002)	(139,752)
At 30 June 2020	14,290	192,465	(3,289)	21,766	(1,915)	9,722	58,312	586,430	877,781	(14,536)	863,245

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(135,670)**	(64,812)
Adjustments for:			
Amortisation of intangible assets	23	**356**	–
Depreciation of property, plant and equipment	20	**6,824**	6,458
Depreciation of right-of-use assets	21	**2,104**	–
Fair value losses/(gains) on convertible notes	32(a)	**1,916**	(11,971)
Fair value losses/(gains) on investment properties	19	**64,800**	(14,930)
Fair value losses on financial assets at FVTPL	25	**1,226**	1,094
Impairment loss on interest in an associate	10	**–**	3,198
Interest expense	12	**4,504**	3,605
Interest income	9	**(69)**	(104)
Loss on disposal of property, plant and equipment	10	**–**	3
Gain on deemed disposal of an associate	24	**(3,772)**	–
Share of loss of an associate		**2,714**	3,003
Share-based payments	39	**–**	11,630
Written off of property, plant and equipment	10	**238**	–
Written off of other receivables	10	**–**	3
Operating loss before working capital changes		**(54,829)**	(62,823)
Increase in trade and other receivables		**(296)**	(501)
Increase in inventories		**(283)**	(1,993)
Increase in trade and other payables		**1,599**	657
Net cash used in operations		**(53,809)**	(64,660)
Income taxes paid		**(874)**	–
Interest on lease liabilities		**(629)**	–
Net cash used in operating activities		**(55,312)**	(64,660)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**69**	104
Purchases of property, plant and equipment	20	**(1,068)**	(1,454)
Arising on business combination	42	**4,118**	–
Capital injection in an associate		**–**	(7,800)
Net cash generated from/(used in) investing activities		**3,119**	(9,150)

Consolidated Statement of Cash Flows (Cont'd)

For the year ended 30 June 2020

	Note	2020 *HK$'000*	2019 *HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from related parties		**30,038**	–
Repayment to related parties		**(10,224)**	(9,564)
Repayment of bank borrowings		**(2,167)**	(2,322)
Interest paid		**(4,081)**	(3,514)
Capital contribution from non-controlling interests of a subsidiary		**–**	403
Other borrowings raised		**5,409**	9,090
Principal elements of lease payments		**(1,759)**	–
Repurchase of shares	36	**(4,832)**	–
Transaction costs attributable to repurchase of shares		**(40)**	–
Net cash generated from/(used in) financing activities		**12,344**	(5,907)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(39,849)**	(79,717)
Effect of foreign exchange rate changes		**(1,080)**	(1,696)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**250,714**	332,127
CASH AND CASH EQUIVALENTS AT END OF YEAR		**209,785**	250,714
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**209,785**	250,714

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group".

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

2. BASIS OF PREPARATION

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

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

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. 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 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) Interpretation 4 Determining whether an Arrangement contains a Lease, HK(SIC) Interpretation 15 Operating Leases-Incentives and HK(SIC) Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced 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 and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. 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.

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

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

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

HKFRS 16 Leases (Cont'd)

(i) 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.

(ii) 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.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant Group entities at the date of initial application. The incremental borrowing rates applied by the relevant Group entities range from 14% to 21.6%.

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) 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) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(III) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

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

HKFRS 16 Leases (Cont'd)

(ii) Lessee accounting and transitional impact (Cont'd)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in note 44 as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	HK$'000
Operating lease commitments disclosed as at 30 June 2019	7,475
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 30 June 2020	(1,714)
	5,761
Less: total future interest expense	(1,252)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 July 2019 and lease liabilities recognised as at 1 July 2019	4,509
Of which are:	
Current lease liabilities	1,759
Non-current lease liabilities	2,750
	4,509

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 30 June 2019.

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

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

HKFRS 16 Leases (Cont'd)

(ii) Lessee accounting and transitional impact (Cont'd)

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	*Note*	Carrying amount as at 30 June 2019	Effects of adoption of HKFRS 16: Re-classification	Effects of adoption of HKFRS 16: Re-cognition of leases	Carrying amount as at 1 July 2019
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Right-of-use assets		–	132	4,509	4,641
Trade and other receivables	*(I)*	4,476	(132)	–	4,344
Liabilities					
Lease liabilities		–	–	(4,509)	(4,509)

Note:

(I) Upon application of HKFRS 16, the prepaid lease payments of approximately HK$132,000 were classified to right-of-use assets.

(iii) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 July 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element *(note 43(a))*. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows *(note 43(b))*.

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

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

HKFRS 16 Leases (Cont'd)

(iii) Impact of the financial results and cash flows of the Group (Cont'd)

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results and cash flows for the year ended 30 June 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** *(note I)*	**Hypothetical amounts for 2020 as if under HKAS 17**	Compared to amounts reported for 2019 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial results for year ended 30 June 2020 impacted by the adoption of HKFRS 16:					
Loss from operations	**(132,224)**	**2,104**	**(2,388)**	**(132,508)**	(58,204)
Finance costs	**(4,504)**	**629**	**–**	**(3,875)**	(3,605)
Loss before tax	**(135,670)**	**2,733**	**(2,388)**	**(135,325)**	(64,812)
Loss for the year	**(136,109)**	**2,733**	**(2,388)**	**(135,764)**	(64,812)

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

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

HKFRS 16 Leases (Cont'd)

(iii) Impact of the financial results and cash flows of the Group (Cont'd)

	2020			2019
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17** *(notes I & II)*	**Hypothetical amounts for 2020 as if under HKAS 17**	Compared to amounts reported for 2019 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the consolidated statement of cash flows for year ended 30 June 2020 impacted by the adoption of HKFRS 16:				
Cash used in operations	**(53,809)**	**(2,388)**	**(56,197)**	(64,660)
Interest element of lease rentals paid	**(629)**	**629**	**–**	–
Net cash used in operating activities	**(55,312)**	**(1,759)**	**(57,071)**	(64,660)
Capital element of lease rentals paid	**(1,759)**	**1,759**	**–**	–
Net cash generated from/(used in) financing activities	**12,344**	**1,759**	**14,103**	(5,907)

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

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

HKFRS 16 Leases (Cont'd)

(iii) Impact of the financial results and cash flows of the Group (Cont'd)

Notes:

(I) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

(II) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash generated from financing activities as if HKAS 17 still applied.

(iv) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, *Investment Properties*, to account for all of its leasehold properties that were held for investment purposes as at 30 June 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 July 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendment to HKFRS 16 Covid-19-Related Rent Concessions	1 June 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Consolidation (Cont'd)

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

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

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

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The NCI in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Business combination and goodwill (Cont'd)

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Associates (Cont'd)

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Foreign currency translation (Cont'd)

(iii) Translation on consolidation

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Property, plant and equipment (Cont'd)

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

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

(f) Investment properties

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

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

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4(s).

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. 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. 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.

(i) The Group as a lessee

Policy applicable from 1 July 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Leases (Cont'd)

(i) The Group as a lessee (Cont'd)

Policy applicable from 1 July 2019 (Cont'd)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(f).

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.

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.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Leases (Cont'd)

(i) *The Group as a lessee* (Cont'd)

Policy prior to 1 July 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) *The Group as a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Intangible assets (other than goodwill)

(i) Internally-generated intangible assets – research and development expenditure

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

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

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

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

– the ability to use or sell the intangible asset;

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

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

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

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

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

(ii) Intangible assets acquired separately – technical know-how

Technical know-how is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful life of 4 years.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Inventories

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

(j) Recognition and derecognition of financial instruments

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Financial assets

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

Debt investments

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

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

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or financial assets at fair value through other comprehensive income (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

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

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses ("ECL").

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Financial liabilities and equity instruments

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

(o) Borrowings

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

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

(p) Trade and other payables

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

(q) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Convertible notes

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Convertible notes (Cont'd)

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

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

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of manufactured goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery) and accepted by the customer. Following delivery and acceptance, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to and accepted by the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

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

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

(u) Share-based payments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Effective 1 July 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(w) Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(x) Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(x) Taxation (Cont'd)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual Group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(y) Impairment of non-financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Impairment of financial assets

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

Significant increase in credit risk

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Significant increase in credit risk (Cont'd)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Definition of default

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

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

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

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

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the counterparty;

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

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

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

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

Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Measurement and recognition of ECL

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

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

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

(aa) Provisions and contingent liabilities

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

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

(ab) Events after the reporting period

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 30 June 2020 was approximately HK$199,262,000 (2019: HK$205,160,000).

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax of approximately HK$439,000 (2019: HK$Nil) was charged to profit or loss.

(c) Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the CGU to which goodwill and other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill and other intangible assets at the end of the reporting period was approximately HK$2,179,000 (2019: HK$Nil) and HK$2,485,000 (2019: HK$Nil) respectively. No impairment loss was made during the year.

(d) Fair value of investment properties

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

The carrying amount of investment properties as at 30 June 2020 was approximately HK$592,300,000 (2019: HK$657,100,000).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Credit risk

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

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 90 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. As at 30 June 2020, the loss allowance provision for these balances was not material.

6. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

Financial assets at amortised cost

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

The Group is also exposed to credit risk in relation to debt investments that are measured at FVTPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments of approximately HK$50,917,000 (2019: HK$52,143,000).

(c) Liquidity risk

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

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

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2020					
Secured bank borrowings *(note)*	101,290	–	–	–	101,290
Other borrowings	748	2,009	13,793	1,709	18,259
Trade and other payables	11,278	–	–	–	11,278
Due to related parties	34,638	–	–	–	34,638
Convertible notes	30,649	–	–	–	30,649
Lease liabilities	1,722	930	698	–	3,350
At 30 June 2019					
Secured bank borrowings *(note)*	103,457	–	–	–	103,457
Other borrowings	125	125	10,765	1,897	12,912
Other payables and accruals	8,420	–	–	–	8,420
Due to related parties	14,824	–	–	–	14,824
Convertible notes	28,733	–	–	–	28,733

Note:

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

6. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity risk (Cont'd)

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

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 30 June 2020					
Secured bank borrowings	17,202	4,566	14,048	115,805	151,621
At 30 June 2019					
Secured bank borrowings	18,750	5,676	17,027	124,991	166,444

(d) Interest rate risk

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

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

(e) Categories of financial instruments at 30 June 2020

	2020 ***HK$'000***	2019 *HK$'000*
Financial assets:		
Financial assets at FVTPL	**50,917**	52,143
Financial assets measured at amortised cost	**214,262**	251,619
Financial liabilities:		
Financial liabilities at amortised cost	**164,802**	139,131
Financial liabilities at FVTPL	**30,649**	28,733

(f) Fair values

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

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy at 30 June 2020:

	Fair value measurements using:			Total
Description	**Level 1**	**Level 2**	**Level 3**	**2020**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Financial assets at FVTPL				
– Golf club membership	**–**	**–**	**8,644**	**8,644**
– Deposits placed for life insurance policies	**–**	**42,273**	**–**	**42,273**
	–	**42,273**	**8,644**	**50,917**
Investment properties				
– Tenant occupied office premises/car parking spaces located in Hong Kong	**–**	**–**	**294,400**	**294,400**
– Vacant office premises/car parking spaces located in Hong Kong	**–**	**–**	**297,900**	**297,900**
	–	**–**	**592,300**	**592,300**
Total	**–**	**42,273**	**600,944**	**643,217**
Financial liabilities at FVTPL				
2017 Convertible Notes	**–**	**30,649**	**–**	**30,649**

7. FAIR VALUE MEASUREMENTS (Cont'd)

(a) Disclosures of level in fair value hierarchy at 30 June 2020: (Cont'd)

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

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

	Golf club membership		Investment properties	
	2020 *HK$'000*	2019 *HK$'000*	**2020** *HK$'000*	2019 *HK$'000*
At beginning of year	**11,272**	13,592	**657,100**	642,170
Total (losses)/gains recognised – in profit or loss	**(2,628)**	(2,320)	**(64,800)**	14,930
At end of year	**8,644**	11,272	**592,300**	657,100

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

7. FAIR VALUE MEASUREMENTS (Cont'd)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2020:

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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs
Golf club membership	Direct comparison method	Market price of similar golf club membership	N/A	Increase
Investment properties – Tenant occupied office premises/car parking spaces located in Hong Kong	Income approach	Term and reversion approach with key inputs of vacant possession value	HK$24,885 to HK$25,928 (2019: HK$27,634 to HK$28,795) per sq. ft. on saleable area basis	Increase
– Vacant office premises/ car parking spaces located in Hong Kong	Direct comparison method	Market unit rate of similar properties and applied adjustment rate on difference in location, view, floor area, lot size, age and condition of the properties under review	HK$24,885 to HK$25,928 (2019: HK$27,634 to HK$28,795) per sq. ft. on saleable area basis	Increase

There were no changes in the valuation techniques used during the years ended 30 June 2020 and 2019.

7. FAIR VALUE MEASUREMENTS (Cont'd)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2020: (Cont'd)

Level 2 fair value measurements

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

8. REVENUE

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers – recognised at point in time		
Sales of goods	**3,543**	–
Revenue from other sources		
Rental income	**8,199**	8,199
	11,742	8,199

9. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Government grants received *(Note)*	**2,535**	653
Bank interest income	**69**	104
Others	**137**	137
	2,741	894

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

10. OTHER (LOSSES)/GAINS

	2020	2019
	HK$'000	*HK$'000*
Fair value (losses)/gains on investment properties *(note 19)*	**(64,800)**	14,930
Fair value (losses)/gains on convertible notes *(note 32(a))*	**(1,916)**	11,971
Impairment loss on interest in an associate	**–**	(3,198)
Loss on disposal of property, plant and equipment	**–**	(3)
Written off of other receivables	**–**	(3)
Written off of property, plant and equipment	**(238)**	–
Fair value losses on financial assets at FVTPL *(note 25)*	**(1,226)**	(1,094)
	(68,180)	22,603

11. SEGMENT INFORMATION

The Group has two operating segments as follows:

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

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

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

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

Information about operating segment profit or loss:

	Property investment *HK$'000*	Research and development *HK$'000*	Total *HK$'000*
Year ended 30 June 2020:			
Revenue from external customers	**8,199**	**3,543**	**11,742**
Segment loss	**(68,576)**	**(49,706)**	**(118,282)**
Unallocated expenses			**(21,223)**
Unallocated income			**3,835**
Consolidated loss before tax			**(135,670)**
Interest expense	**3,683**	**634**	**4,317**
Depreciation and amortisation	**6,049**	**1,338**	**7,387**
Other material non-cash items:			
Fair value losses on investment properties	**64,800**	**–**	**64,800**
Written off of property, plant and equipment	**–**	**238**	**238**

11. SEGMENT INFORMATION (Cont'd)

	Property investment *HK$'000*	Research and development *HK$'000*	Total *HK$'000*
Year ended 30 June 2019:			
Revenue from external customers	8,199	–	8,199
Segment profit/(loss)	9,223	(55,755)	(46,532)
Unallocated expenses			(30,404)
Unallocated income			12,124
Consolidated loss before tax			(64,812)
Interest expense	3,477	128	3,605
Depreciation of property, plant and equipment	6,049	90	6,139
Other material non-cash items:			
Fair value gains on investment properties	14,930	–	14,930
Loss on disposal of property, plant and equipment	–	3	3

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

Reconciliation of segment loss from operations:

	2020 ***HK$'000***	2019 *HK$'000*
Total loss of reportable segments	**(118,282)**	(46,532)
Share of loss of an associate	**(2,714)**	(3,003)
Unallocated amounts:		
Other income	**63**	153
Other (losses)/gains	**(3,142)**	7,676
Administrative and other operating expenses	**(15,180)**	(23,106)
Finance costs	**(187)**	–
Gain on deemed disposal of an associate	**3,772**	–
Consolidated loss before tax	**(135,670)**	(64,812)

11. SEGMENT INFORMATION (Cont'd)

Geographical information:

The Group's revenue from external customers by location of operations is detailed below:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**8,199**	8,199
Finland	**3,543**	–
Consolidated total	**11,742**	8,199

The Group's non-current assets (other than goodwill, intangible assets, interest in an associate, certain equipment and certain right-of-use assets) are mainly located in Hong Kong.

Revenue from major customers:

	2020	2019
	HK$'000	*HK$'000*
Property investment segment		
Customer a	**8,199**	8,199
Research and development segment		
Customer b	**1,217**	–

12. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest expense on lease liabilities *(note 21)*	**629**	–
Interest on bank borrowings	**3,683**	3,477
Interest on other borrowings	**154**	95
Interest on bank overdrafts	**38**	33
	4,504	3,605

13. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Underprovision in prior year	**576**	–
Deferred tax *(note 35)*	**(137)**	–
	439	–

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2019: Nil).

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2019: 25%).

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

13. INCOME TAX EXPENSE (Cont'd)

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

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(135,670)**	(64,812)
Tax at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**(22,386)**	(10,694)
Tax effect of income that is not taxable	**(1,607)**	(4,476)
Tax effect of expenses that are not deductible	**22,265**	16,563
Tax effect of tax losses not recognised	**3,877**	639
Tax effect of temporary differences not recognised	**(408)**	(932)
Effect of different tax rates of subsidiaries	**(1,878)**	(1,100)
Underprovision in prior year	**576**	–
Income tax expense	**439**	–

14. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2020	2019
	HK$'000	*HK$'000*
Auditors' remuneration	**600**	600
Cost of inventories sold	**1,986**	–
Research and development expenses	**16,606**	19,582
Depreciation of property, plant and equipment	**6,824**	6,458
Depreciation on right-of-use assets	**2,104**	–
Amortisation of intangible assets	**356**	–
Operating lease charges on land and buildings	**–**	5,234

15. EMPLOYEE BENEFITS EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	**20,898**	11,332
Equity-settled share-based payments	**–**	7,790
Retirement benefit scheme contributions	**677**	561
	21,575	19,683

The five highest paid individuals in the Group during the year included two (2019: three) directors whose emoluments are reflected in the analysis presented in note 16. The emoluments of the remaining three (2019: two) individuals are set out below:

	2020	2019
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**2,806**	2,615
Equity-settled share-based payments	**–**	1,113
Retirement benefit scheme contributions	**36**	36
	2,842	3,764

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	1
	3	2

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking									
	Fees		Salaries		Share-based payments		Employer's contribution to a retirement benefit scheme		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive director										
Oung Shih Hua James ("Mr. Oung")	**1,404**	1,404	**1,872**	1,872	**–**	1,280	**18**	18	**3,294**	4,574
Non-executive directors										
Chan Chi Ho	**260**	260	**–**	–	**–**	1,280	**13**	13	**273**	1,553
Yuen Chi Wah	**130**	130	**534**	534	**–**	1,280	**18**	18	**682**	1,962
	390	390	**534**	534	**–**	2,560	**31**	31	**955**	3,515
Independent non-executive directors										
Liu Man Kin Dickson	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
Au Chik Lam Alexander	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
Luo Rongxuan	**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
	600	600	**–**	–	**–**	–	**–**	–	**600**	600
	2,394	2,394	**2,406**	2,406	**–**	3,840	**49**	49	**4,849**	8,689

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

No emoluments were paid by the Group to the chief executive or any of the directors as an inducement to join or upon joining the Group or as compensation for the loss of office (2019: Nil).

Neither the chief executive nor any of the directors waived any emoluments during the year (2019: Nil).

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

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

17. DIVIDEND

No dividend was paid or proposed by the Group during the year ended 30 June 2020 (2019: Nil), nor has any dividend been proposed since the end of the reporting period.

18. LOSS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(128,591)**	(58,170)
Fair value gains on convertible notes	**–**	(11,971)
Loss for the purpose of calculating diluted loss per share	**(128,591)**	(70,141)

	2020	2019
Number of shares		
Weighted average number of ordinary shares used in basic loss per share calculation	**1,434,450,213**	1,437,384,821
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	**–**	192,900,226
Weighted average number of ordinary shares used in diluted loss per share calculation	**1,434,450,213**	1,630,285,047

For the year ended 30 June 2020, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has taken into account the ordinary shares repurchased from the market during the year and subsequently cancelled in December 2019 and February 2020.

As the conversion of the Company's outstanding convertible notes would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, diluted loss per share was same as the basic loss per share for the year ended 30 June 2020.

Dilutive loss per share for the year ended 30 June 2019 did not assume the exercise of share options granted by the Company because there were no dilutive potential ordinary shares for the Company's share options.

19. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	*HK$'000*
At 1 July	**657,100**	642,170
Fair value (losses)/gains	**(64,800)**	14,930
At 30 June	**592,300**	657,100

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

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

Fair value losses (2019: gains) on property revaluation of approximately HK$64,800,000 (2019: HK$14,930,000) were recognised in profit or loss for the year ended 30 June 2020.

20. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Office equipment, furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 July 2018	205,000	11,858	9,340	–	226,198
Reclassification	–	–	(800)	800	–
Additions	–	–	575	879	1,454
Disposals	–	–	(344)	–	(344)
Exchange differences	–	–	(23)	–	(23)
At 30 June 2019 and 1 July 2019	205,000	11,858	8,748	1,679	227,285
Arising on business combination *(note 42)*	–	–	159	–	159
Additions	–	–	1,068	–	1,068
Write off	–	–	(322)	–	(322)
Exchange differences	–	–	(75)	–	(75)
At 30 June 2020	205,000	11,858	9,578	1,679	228,115
Accumulated depreciation and impairment					
At 1 July 2018	5,694	2,129	8,189	–	16,012
Reclassification	–	–	(220)	220	–
Charge for the year	4,271	1,779	266	142	6,458
Disposals	–	–	(341)	–	(341)
Exchange differences	–	–	(4)	–	(4)
At 30 June 2019 and 1 July 2019	9,965	3,908	7,890	362	22,125
Charge for the year	4,271	1,779	522	252	6,824
Write off	–	–	(84)	–	(84)
Exchange differences	–	–	(12)	–	(12)
At 30 June 2020	14,236	5,687	8,316	614	28,853
Carrying amount					
At 30 June 2020	190,764	6,171	1,262	1,065	199,262
At 30 June 2019	195,035	7,950	858	1,317	205,160

At 30 June 2020, the carrying amount of leasehold land and buildings pledged as security for the Group's bank loans amounted to HK$190,764,000 (2019: HK$195,035,000).

21. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*
At 1 July 2019 *(note 3)*	4,641
Depreciation	(2,104)
Exchange differences	(16)
At 30 June 2020	2,521

Lease liabilities of approximately HK$2,733,000 are recognised with related right-of-use assets of HK$2,521,000 as at 30 June 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2020 *HK$'000*
Depreciation expenses on right-of-use assets	2,104
Interest expense on lease liabilities (included in finance costs)	629
Expenses relating to short-term lease (included in administrative and other operating expenses)	2,233

Details of total cash outflow for leases is set out in note 43(b).

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed terms of 3 years to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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.

22. GOODWILL

	2020
	HK$'000
Cost	
Arising on business combination *(note 42)* and at 30 June 2020	2,179
Accumulated impairment losses	
At 30 June 2020	–
Carrying amount	
At 30 June 2020	2,179

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2020
	HK$'000
Research and development:	
Imagica Technology Incorporation ("Imagica")	2,179

At 30 June 2020, the recoverable amount of the CGU has been determined on the basis of its value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rate and budgeted gross margin and turnover. The Group estimates the discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant market.

The rate used to discount the forecast cash flows from the Group's research and development is 19%.

23. INTANGIBLE ASSETS

	Technical know-how *HK$'000*
Cost	
Arising on business combination *(note 42)*	2,991
Exchange differences	(151)
At 30 June 2020	2,840
Accumulated amortisation	
Amortisation for the year	356
Exchange differences	(1)
At 30 June 2020	355
Carrying amount	
At 30 June 2020	2,485

The average remaining amortisation period of the technical know-how is 3.5 years.

24. INTEREST IN AN ASSOCIATE

	2020 ***HK$'000***	2019 *HK$'000*
Unlisted investment:		
Share of net assets	–	4,398

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

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

24. INTEREST IN AN ASSOCIATE (Cont'd)

Pursuant to a modification agreement ("Modification Agreement") dated 31 December 2019 entered into between General Resources Group Limited ("General Resources"), a wholly-owned subsidiary of the Company which holds 59% of the issued share capital of Imagica, and a non-controlling shareholder (holds 41% of the issued share capital of Imagica), the number of directors of Imagica nominated by General Resources was increased from 2 to 3 out of 5 directors.

In the opinion of the directors of the Company, the Group obtained control in Imagica by virtue of the Modification Agreement, and as a result, Imagica ceased to be an associate of the Group on 31 December 2019 and became and was accounted for as a subsidiary of the Company effective from that date. The Group's interests in Imagica were re-measured based on the fair value of the shares of Imagica held by the Group on 31 December 2019. Accordingly, a gain on deemed disposal of approximately HK$3,772,000 was recognised in profit or loss during the year ended 30 June 2020.

The fair value of Imagica has been arrived at on the basis of a valuation carried out by Ravia Global Appraisal Advisory Limited, an independent qualified professional valuer which is not connected to the Group.

The following table shows information on the associate for the year ended 30 June 2020. This associate was accounted for in the consolidated financial statements using the equity method. The summarised financial information presented was based on the HKFRS financial statements of the associate.

	2020	2019
	HK$'000	*HK$'000*
At 30 June:		
Non-current assets	–	114
Current assets	–	8,221
Current liabilities	–	(346)
Net assets	–	7,989
Group's share of net assets	–	4,398
Goodwill	–	10,626
Accumulated impairment loss recognised	–	(10,626)
Group's share of carrying amount of interests	–	4,398

	2020	*2019*
	HK$'000	*HK$'000*
Revenue	–	–
Loss after tax	**(4,600)**	(5,624)
Other comprehensive income	**(41)**	37
Total comprehensive income	**(4,641)**	(5,587)

25. FINANCIAL ASSETS AT FVTPL

	2020	2019
	HK$'000	*HK$'000*
Golf club membership *(note (a))*	**8,644**	11,272
Deposits placed for life insurance policies *(note (b))*	**42,273**	40,871
	50,917	52,143

Notes:

(a) Golf club membership

During the year ended 30 June 2020, the fair value loss of approximately HK$2,628,000 (2019: HK$2,320,000) was charged to profit or loss.

(b) Deposits placed for life insurance policies

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

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

During the year ended 30 June 2020, the fair value gain of approximately HK$1,402,000 (2019: HK$1,226,000) was credited to profit or loss.

At the end of the reporting period, the carrying amount of a deposit placed for a life insurance policy pledged as security for certain bank borrowings amounted to approximately HK$18,907,000 (2019: HK$18,215,000).

26. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**2,225**	1,993
Finished goods	**51**	–
	2,276	1,993

27. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**1,730**	–
Other receivables	**1,331**	1,468
Deposits	**1,496**	1,330
Prepayments	**383**	1,678
	4,940	4,476

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days from the invoice date. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 – 90 days	**1,543**	–
181 – 365 days	**187**	–
	1,730	–

The carrying amounts of the Group's trade receivables are denominated in EUR.

28. BANK AND CASH BALANCES

As at 30 June 2020, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$4,170,000 (2019: HK$7,069,000). Conversion of RMB into foreign currencies is subject to the People's Republic of China (the "PRC")'s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**926**	–
Accruals	**6,774**	6,539
Rental deposits received	**3,943**	3,943
Other payables	**4,200**	2,763
	15,843	13,245

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 – 90 days	**926**	–

The carrying amounts of the Group's trade payables are denominated in EUR.

30. DUE TO RELATED PARTIES

	2020	2019
	HK$'000	*HK$'000*
Gold Seal Holdings Limited	**32,061**	3,841
Cityguard Holdings Limited	**2,312**	10,669
Oung Da Ming	**265**	314
	34,638	14,824

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

31. SECURED BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Revolving loan	**12,691**	12,691
Mortgage loans	**88,599**	90,766
	101,290	103,457

The secured bank borrowings are repayable as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**15,260**	14,507
More than one year, but not exceeding two years	**2,624**	1,905
More than two years, but not more than five years	**8,222**	6,218
More than five years	**75,184**	80,827
	101,290	103,457
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**(86,030)**	(88,950)
	15,260	14,507
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(15,260)**	(14,507)
Amount due for settlement after 12 months	**–**	–

At 30 June 2020, the secured bank borrowings are comprised of:

(i) a revolving loan that carries interest at the rate of 1.35% (2019: 1.35%) per annum over Hong Kong Interbank Offer Rate ("HIBOR"); and

(ii) mortgage loans with an outstanding amount of approximately HK$88,599,000 (2019: HK$90,766,000) that shall be repayable by remaining 311 (2019: 323) monthly instalments and carries interest at a rate of 1.75% (2019: 1.75%) per annum over HIBOR.

At 30 June 2020, the weight average interest rate of the Group's bank borrowings was 2.14% (2019: 3.73%) per annum.

All bank borrowings are secured by the Group's assets. The details of pledged assets are disclosed in note 40.

32. CONVERTIBLE NOTES

(a) 2017 Convertible Notes

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

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

(i) Conversion option exercisable by the noteholders

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

(ii) Distributions

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

32. CONVERTIBLE NOTES (Cont'd)

(a) 2017 Convertible Notes (Cont'd)

(iii) Cash settlement option

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

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

(iv) Redemption at the option of the Company

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

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

32. CONVERTIBLE NOTES (Cont'd)

(a) 2017 Convertible Notes (Cont'd)

(v) Automatic conversion on maturity

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

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

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

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

	30 June 2020	30 June 2019
Share price (per share)	**HK$0.160**	HK$0.150
No. of shares convertible	**191,557,498**	191,557,498

Change in fair value of approximately HK$1,916,000 (2019: HK$11,971,000) was charged (2019: credited) to "other (losses)/gains" in profit or loss during the year ended 30 June 2020.

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

32. CONVERTIBLE NOTES (Cont'd)

(b) 2014 Convertible Notes

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

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

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

As at 30 June 2020, the outstanding number of 2014 Convertible Notes is 52,104,172 (2019: 52,104,172).

33. OTHER BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Unsecured loan	**17,596**	12,430
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(582)**	–
Amount due for settlement after 12 months	**17,014**	12,430

The carrying amounts of the Group's other borrowings are denominated in the following currencies:

	2020	2019
	HK$'000	*HK$'000*
USD	**355**	–
CAD	**227**	–
EUR	**17,014**	12,430
	17,596	12,430

The effective interest rates at 30 June were as follows:

	2020	2019
Other borrowings	**0% – 1%**	1%

Other borrowings are arranged at fixed interest rates, thus exposing the Group to fair value interest rate risk.

Other borrowings of approximately HK$17,014,000 (2019: HK$12,430,000) are repayable by instalments from 2021 to 2025 (2019: 2021 to 2024) and carry interest at a rate of 1% per annum set by the Finland Finance Ministry.

34. LEASE LIABILITIES

	Minimum lease payments 2020 *HK$'000*	Present value of minimum lease payments 2020 *HK$'000*
Within one year	1,722	1,366
In the second to fifth years, inclusive	1,628	1,367
	3,350	2,733
Less: Future finance charges	(617)	N/A
Present value of lease obligations	2,733	2,733
Less: Amount due for settlement within 12 months (shown under current liabilities)		(1,366)
Amount due for settlement after 12 months		1,367

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 30 June 2019 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

35. DEFERRED TAXATION

The component of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Intangible assets *HK$'000*
Arising on business combination *(note 42)*	808
Credit to profit or loss	(137)
At 30 June 2020	671

At the end of the reporting period, the Group has unused tax losses of HK$129,788,000 (2019: HK$83,938,000) available for offset against future profits. No deferred tax asset has been recognised in respect of all the unused tax losses due to the unpredictability of future profits streams. Included in unrecognised tax losses are losses of HK$29,204,000 (2019: HK$18,842,000) that will expire by 2030 (2019: 2029). Other tax losses may be carried forward indefinitely.

36. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 July 2018, 30 June 2019 and 1 July 2019 and 30 June 2020	50,000,000,000	500,000
Issued and fully paid:		
At 1 July 2018	1,436,106,716	14,361
Issue of shares upon conversion of 2017 Convertible Notes *(note 32(a))*	2,620,833	26
At 30 June 2019 and 1 July 2019	1,438,727,549	14,387
Cancellation of shares repurchased *(note (a))*	(9,690,000)	(97)
At 30 June 2020	1,429,037,549	14,290

Note:

(a) During the year ended 30 June 2020, the Company repurchased 32,865,000 ordinary shares through the Stock Exchange at a total consideration of approximately HK$4,832,000, of which 4,465,000 ordinary shares and 5,225,000 ordinary shares were cancelled in December 2019 and February 2020 respectively.

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

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

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

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

(a) Statement of financial position of the Company

	At 30 June	
	2020	2019
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**4,357**	7,207
Financial assets at FVTPL	**8,644**	11,272
Due from subsidiaries	**98,247**	108,817
Loan receivables from subsidiaries	**516,798**	516,798
Total non-current assets	**628,046**	644,094
Current assets		
Other receivables, deposits and prepayments	**44**	269
Bank balances	**87,160**	90,058
Total current assets	**87,204**	90,327
Current liabilities		
Other payables and accruals	**2,379**	2,526
Due to a related party	**32,061**	3,841
Due to subsidiaries	**44,484**	38,619
Convertible notes	**30,649**	28,734
Current tax liabilities	**–**	298
Total current liabilities	**109,573**	74,018
Net current (liabilities)/assets	**(22,369)**	16,309
NET ASSETS	**605,677**	660,403

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

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

		At 30 June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	36	**14,290**	14,387
Reserves	38	**591,387**	646,016
TOTAL EQUITY		**605,677**	660,403

Approved by the Board of Directors on 28 September 2020 and signed on its behalf by:

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

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

(b) Reserve movement of the Company

	Share premium *HK$'000*	Treasury share reserve *HK$'000*	Other reserve *HK$'000*	Convertible notes reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 July 2018	193,322	–	21,766	9,722	46,682	467,440	738,932
Total comprehensive income for the year	–	–	–	–	–	(105,175)	(105,175)
Issue of shares upon conversion of convertible notes *(note 32(a))*	629	–	–	–	–	–	629
Share-based payments *(note 39)*	–	–	–	–	11,630	–	11,630
At 30 June 2019 and 1 July 2019	193,951	–	21,766	9,722	58,312	362,265	646,016
Repurchase of shares	–	(4,832)	–	–	–	–	(4,832)
Transaction costs attributable to repurchase of shares	(40)	–	–	–	–	–	(40)
Cancellation of shares	(1,446)	1,543	–	–	–	–	97
Total comprehensive income for the year	–	–	–	–	–	(49,854)	(49,854)
At 30 June 2020	192,465	(3,289)	21,766	9,722	58,312	312,411	591,387

38. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Treasury share reserve

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

(iii) Other reserve

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

(iv) Translation reserve

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

(v) Convertible notes reserve

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

(vi) Share option reserve

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

39. SHARE-BASED PAYMENTS

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

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

During the year ended 30 June 2019, the number of ordinary shares in respect of which options had been granted under the Scheme was 126,000,000, representing 8.8% of the ordinary shares of the Company in issue at that date. The number of ordinary shares in respect of which options remained outstanding as at 30 June 2020 was 397,721,900 (2019: 397,721,900). The total number of ordinary shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of ordinary shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

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

39. SHARE-BASED PAYMENTS (Cont'd)

Details of the specific categories of options are as follows:

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

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

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

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

39. SHARE-BASED PAYMENTS (Cont'd)

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

	2020		2019	
	Number of share options	**Weighted average exercise price** ***HK$***	Number of share options	Weighted average exercise price *HK$*
Outstanding at beginning of year	**397,721,900**	**0.268**	271,721,900	0.309
Granted during the year	**–**	**N/A**	126,000,000	0.179
Outstanding at end of the year	**397,721,900**	**0.268**	397,721,900	0.268
Exercisable at end of year	**397,721,900**	**0.268**	397,721,900	0.268

The options outstanding at the end of the year have a weighted average remaining contractual life of 7.06 years (2019: 8.06 years) and the exercise prices range from HK$0.179 to HK$0.321 (2019: HK$0.179 to HK$0.321).

40. PLEDGE OF ASSETS

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

	2020 ***HK$'000***	2019 *HK$'000*
Deposit placed for a life insurance policy	**18,907**	18,215
Leasehold land and buildings	**190,764**	195,035
	209,671	213,250

41. RETIREMENT BENEFIT SCHEMES

Hong Kong retirement scheme

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

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

PRC retirement scheme

The employees of the Group's subsidiary which operates in the PRC are required to participate in a retirement scheme or other similar defined contribution provident fund operated by the respective local municipal government. The PRC subsidiary is required to contribute 7% to 16% (2019: 9% to 20%) of its basic payroll costs to the scheme/fund. The contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme/fund.

Finland retirement scheme

The employees of the Group's subsidiaries which operate in the Finland are required to participate in a retirement scheme, TyEL insurance ("TyEL"). These Finland subsidiaries are required to contribute 22.7% – 25.3% (2019: 25.3%) of its basic payroll costs to the scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme.

The aggregate employer's contributions during the year ended 30 June 2020 recognised in profit or loss amounted to HK$1,794,000 (2019: HK$1,440,000).

42. BUSINESS COMBINATION

As referred to in note 24, Imagica ceased to be an associate of the Company and it has been accounted for as a subsidiary of the Group since 31 December 2019.

The above business combination has been accounted for using the acquisition method. Imagica is engaged in the research and development of image sensors.

The fair value of the identifiable assets and liabilities of Imagica acquired as at the date of business combination is as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:			
Property, plant and equipment	159	–	159
Intangible assets	–	2,991	2,991
Other receivables	300	–	300
Bank and cash balances	4,118	–	4,118
Trade and other payables	(1,205)	–	(1,205)
Deferred tax liabilities	–	(808)	(808)
Net assets	3,372	2,183	5,555
Non-controlling interests			(2,278)
Goodwill			2,179
Total consideration			5,456
Total consideration, satisfied by:			
Fair value of 59% interests in Imagica			5,456
Net cash inflow arising on business combination:			
Cash and cash equivalents acquired			4,118

The goodwill arising on the business combination of Imagica is attributable to the anticipated future operating synergies from the combination.

Imagica contributed no revenue to the Group's revenue for the year for the period between the date of business combination and the end of the reporting period. Imagica contributed approximately HK$1,615,000 to the Group's loss for the year for the period between the date of business combination and the end of the reporting period.

If the business combination had been completed on 1 July 2019, total Group's revenue for the year would have been unchanged, and loss for the year would have been approximately HK$137,995,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the business combination been completed on 1 July 2019, nor is intended to be a projection of future results.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

	At 1 July 2019 *HK$'000*	Impact on initial application of HKFRS 16 *HK$'000*	Restated balance at 1 July 2019 *HK$'000*	Cash flows *HK$'000*	Interest expense *HK$'000*	Fair value change *HK$'000*	Exchange differences *HK$'000*	At 30 June 2020 *HK$'000*
Interest payables (included in trade and other payables)	286	–	286	(4,081)	3,875	–	–	80
Secured bank borrowings *(note 31)*	103,457	–	103,457	(2,167)	–	–	–	101,290
Convertible notes *(note 32(a))*	28,733	–	28,733	–	–	1,916	–	30,649
Other borrowings *(note 33)*	12,430	–	12,430	5,409	–	–	(243)	17,596
Due to related parties *(note 30)*	14,824	–	14,824	19,814	–	–	–	34,638
Lease liabilities *(note 34)*	–	4,509	4,509	(2,388)	629	–	(17)	2,733
	159,730	4,509	164,239	16,587	4,504	1,916	(260)	186,986

	At 1 July 2018 *HK$'000*	Cash flows *HK$'000*	Interest expense *HK$'000*	Fair value change *HK$'000*	Conversion into ordinary shares *HK$'000*	At 30 June 2019 *HK$'000*
Interest payables (included in trade and other payables)	195	(3,514)	3,605	–	–	286
Secured bank borrowings *(note 31)*	105,779	(2,322)	–	–	–	103,457
Convertible notes *(note 32(a))*	41,359	–	–	(11,971)	(655)	28,733
Other borrowings *(note 33)*	3,340	9,090	–	–	–	12,430
Due to related parties *(note 30)*	24,388	(9,564)	–	–	–	14,824
	175,061	(6,310)	3,605	(11,971)	(655)	159,730

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2020	2019
	HK$'000	*HK$'000*
Within operating cash flows	**2,862**	5,234
Within financing cash flows	**1,759**	–
	4,621	5,234

These amounts relate to the following:

	2020	2019
	HK$'000	*HK$'000*
Lease rental paid	**4,621**	5,234

44. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

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

	2019
	HK$'000
Within one year	3,913
In the second to fifth years inclusive	3,562
	7,475

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

The Group regularly entered into short-term leases for various offices. As at 30 June 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 21. As at 30 June 2020, the outstanding lease commitments relating to these offices are HK$1,260,000.

44. OPERATING LEASE ARRANGEMENTS (Cont'd)

(b) The Group as lessor

Property rental income earned for the year ended 30 June 2019 was HK$8,199,000. All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2.53% on an ongoing basis. All of the properties held have committed tenants for the next two years.

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

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

Operating leases relate to investment property owned by the Group with lease term of 2 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2020 ***HK$'000***
Within one year	**1,447**

The following table presents the amounts reported in profit or loss:

	2020 ***HK$'000***
Lease income on operating leases	**8,199**

45. RELATED PARTY TRANSACTIONS

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

	2020	2019
	HK$'000	*HK$'000*
Service fee paid to a related company *(note (a))*	**393**	393

Notes:

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

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

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

46. SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2020 and 2019 are as follows:

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			Direct		Indirect		
			2020	2019	**2020**	2019	
Banhart Company Limited	Hong Kong	Ordinary HK$9,998 Non-voting deferred HK$2*	**–**	–	**100%**	100%	Investment holding
Sensors Integration Technology Limited	Hong Kong	Ordinary HK$2,597,634	**–**	–	**100%**	100%	Investment holding
Magetta Company Limited	Hong Kong	Ordinary HK$2	**100%**	100%	**–**	–	Investment holding
Master Era Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Management and operating
Acme Elite Limited	BVI	USD1	**100%**	100%	**–**	–	Property investment
Afar Success Limited	BVI	USD1	**100%**	100%	**–**	–	Property investment
Prime Supreme Corporation	BVI	USD1	**100%**	100%	**–**	–	Investment holding
Upwill Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Legacy One Asia Limited	BVI	USD1	**100%**	100%	**–**	–	Investment holding
East Top (Hong Kong) Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Property investment
Next Level A.I. Solution System LLC	The United States of America ("USA")	USD2,000,000	**–**	–	**100%**	100%	Research and development
Next Level Security System LLC	USA	USD1,000,000	**–**	–	**100%**	100%	Research and development
Next Level Medical System LLC	USA	USD1,000,000	**–**	–	**100%**	100%	Research and development
百利鼎有限公司	Taiwan	TWD29,800,000	**–**	–	**100%**	100%	Research and development
Navigs Oy	Finland	EUR2,008,571	**–**	–	**70%**	70%	Research and development
Pexray Oy	Finland	EUR3,308,571	**–**	–	**79.4%**	75.9%	Research and development

46. SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			Direct		Indirect		
			2020	2019	**2020**	2019	
Dynim Oy	Finland	EUR2,008,571	**–**	–	**70%**	70%	Research and development
OneFab Finland Oy ("OneFab")^	Finland	EUR75,000	**–**	–	**28.8%**	28.8%	Research and development
Skyin Technology Limited	Hong Kong	HK$11,750,140	**70%**	70%	**–**	–	Investment holding
上海簡慈信息科技有限公司#	PRC	USD1,500,000	**–**	–	**70%**	70%	Research and development
Able A.I. Technology Company Limited	Japan	JPY85,085,000	**–**	–	**100%**	100%	Research and development
Imagica	Canada	3,001,000 Class A shares of USD0.01 each and 2,081,633 Class B shares of USD0.01 each	**–**	–	**59%**	–	Research and development

A wholly foreign owned enterprise

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

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

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

47. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures has been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluates its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

48. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	11,433	14,446	7,542	8,199	**11,742**
Profit/(loss) before tax	733,569	96,974	12,022	(64,812)	**(135,670)**
Income tax expense	–	(298)	–	–	**(439)**
Profit/(loss) for the year attributable to:					
– Owners of the Company	733,569	96,899	16,284	(58,170)	**(128,591)**
– Non-controlling interests	–	(223)	(4,262)	(6,642)	**(7,518)**

ASSETS AND LIABILITIES

	At 30 June				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	1,130,755	1,216,486	1,244,497	1,175,984	**1,066,665**
Total liabilities	(233,653)	(192,888)	(187,661)	(172,987)	**(203,420)**
Total equity	897,102	1,023,598	1,056,836	1,002,997	**863,245**

Schedule of Property Interests

Particulars of the properties held by the Group as at 30 June 2020 are as follows:

(a) Investment properties

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

(b) Owner-occupied properties

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