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

Explore OPPORTUNITIES

annual report 2021

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

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

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

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

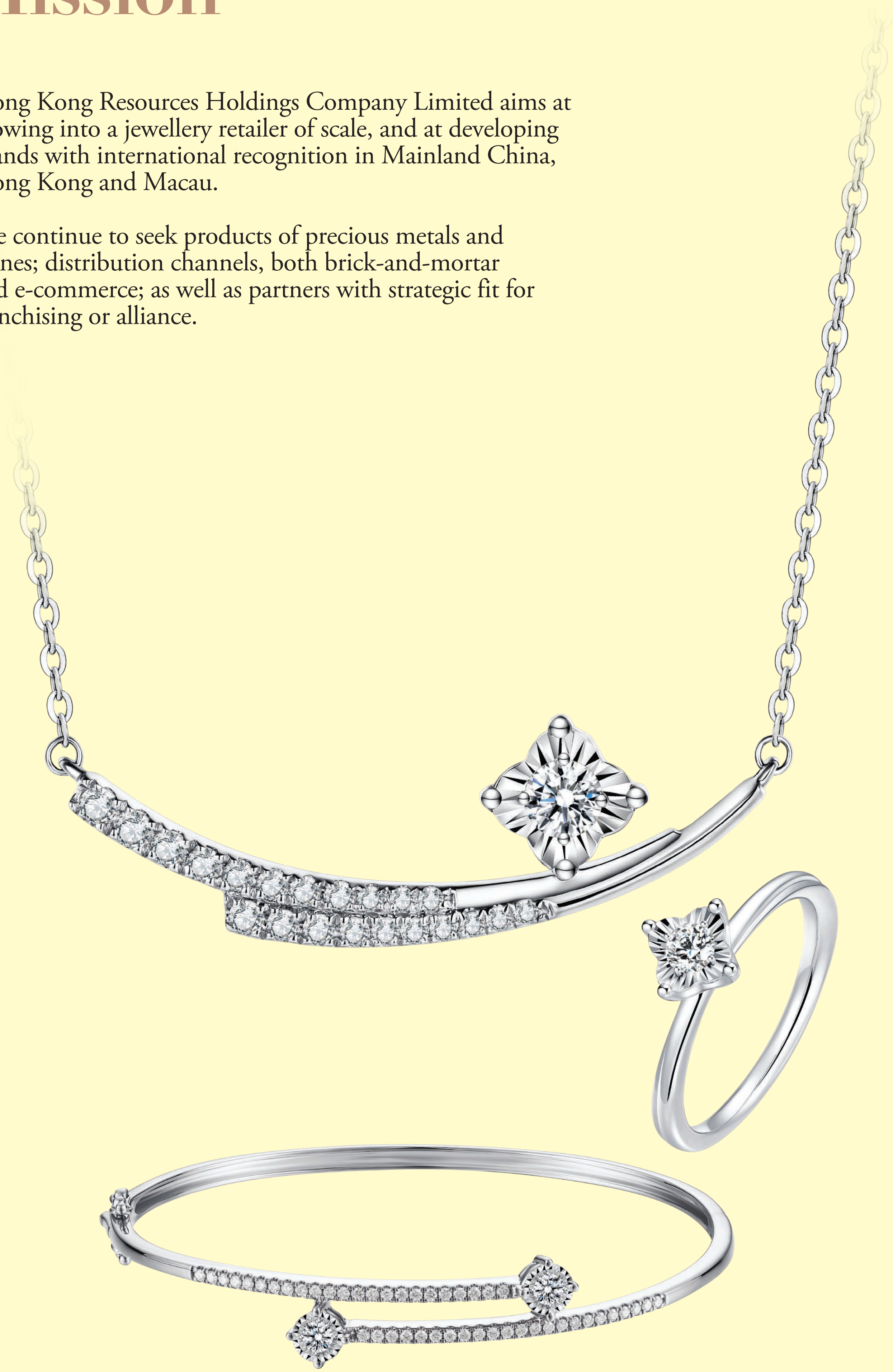
Contents

HKRH is poised to take advantage of excellent opportunities ahead.

Mission

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

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



Corporate Information

DIRECTORS

Executive Directors

Mr. Li Ning, *Chairman*[c]

Mr. Wang Chaoguang, Co-chairman *(appointed on 1 April 2021)*

Ms. Dai Wei

Non-executive Directors

Mr. Hu Hongwei *(re-designated from executive Director to non-executive Director on 27 July 2020)*

Independent Non-executive Directors

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

Mr. Xu Xiaoping[a,b,c] *(retired on 27 November 2020)*

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

Mr. Chan Kim Sun[a,b,c] *(appointed on 19 February 2021)*

[a] *Member of the Audit Committee*
[b] *Member of the Remuneration Committee*
[c] *Member of the Nomination Committee*

COMPANY SECRETARY

Ms. Ho Suet Man Stella

AUDITORS

Crowe (HK) CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
9/F, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 905, 9th Floor, Star House
3 Salisbury Road, Tsim Sha Tsui
Kowloon
Hong Kong

Corporate Information

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Major Events

JULY 2020

Awarded the "OL Favorite Brand Award 2019/2020 (Best Jewellery)" by JESSICA.

SEPTEMBER 2020

Awarded the "Services Awards 2020 – Jewellery" by Capital Weekly.

SEPTEMBER 2020

Awarded the "BOCHK Corporate Environmental Leadership Awards Programme 2019 - Eco Partner".

OCTOBER 2020

Awarded the "Best Label Award 2019/2020 (Best Jewelry)" by Marie Claire.

OCTOBER 2020

Awarded the "Corporate Social Responsibility Awards 2020" by CAPITAL.

Major Events

JANUARY 2021

3DG Jewellery has organized a "2021 Spring Product Launch and Opening Ceremony of the Headquarters' Showroom" in Shenzhen of PRC.

FEBRUARY 2021

Awarded the "Brand Award 2020" by TVB Weekly.

MARCH 2021

Awarded the "Q-Mark Service Elite 2020" by Hong Kong Q-Mark Council.

MARCH 2021

Awarded the "Elite Jewellery Brand Awards 2020" by Ming Pao Weekly

JUNE 2021

Awarded the "HK Top Service Brand Ten Year Achievement Award " by Hong Kong Brand Development Council.

金至尊
3DG Jewellery

Letter to the Shareholders

Dear shareholders,

On behalf of Hong Kong Resources Holdings Company Limited ("**HKRH**" or the "**Group**"). I present to you the Group's results for the year ended 30 June 2021 (the "**Year**").

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

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

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

Mr. Li Ning
Chairman

Management Discussion and Analysis

OVERVIEW

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

During the Year, the ever-evolving COVID-19 pandemic continued to challenge the world. Many countries imposed severe entry restrictions and quarantine rules and enacted a large range of social distancing measures all of which have severely dampened consumer sentiment. The Group has encountered unprecedented challenges to its business. Fortunately, life slowly returned to normal in Mainland China in the second half of 2020, while outbound travel was still restricted, domestic consumption has gradually regained momentum. The sales rebound in Mainland China offset the decline in sales in Hong Kong and Macau. Amid this tough business environment, the Group recorded an increase in overall same-store growth of 14%.

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK$856 million for the Year, representing an increase of 6% as compared to the turnover of approximately HK$805 million for the same period last year ("Last Year"). The loss for the Year attributable to the owners was approximately HK$15 million compared to approximately HK$63 million Last Year, representing a decrease of 76%. This was mainly attributable to (i) implementation of cost saving measures; (ii) decrease in finance costs; and (iii) exchange gain arising from the appreciation of the Renminbi.

Retailing of gold and jewellery products accounted for 92% (2020: 92%) of total turnover. The retail revenue was approximately HK$783 million for the Year, representing an increase of 6% from approximately HK$742 million Last Year. Mainland China continued to be the Group's major market, contributing 88% (2020: 71%) of retail sales for the Year. The retail revenue from Mainland China increased by 31% to approximately HK$692 million for the Year from approximately HK$529 million Last Year. The Group's retail revenue from Hong Kong and Macau market was approximately HK$91 million for the Year, representing a decrease of 57% from approximately HK$213 million Last Year. The Group recorded an increase in overall same-store growth of 14% (2020: decline of 32%), of which same-store growth in Mainland China was a growth of 24% (2020: decline of 28%) and in Hong Kong and Macau was a decline of 11% (2020: decline of 42%).

The Group's selling and distribution expenses decreased to HK$221 million (2020: HK$241 million), whereas the percentage to total turnover decreased to 26% (2020: 30%) this Year. Payment of lease liabilities amounted to HK$68 million (2020: HK$72 million). The percentage to turnover remained at a relatively low level. The Group has negotiated with landlords for rental relief or reductions in this difficult economic environment.

The Group has successfully implemented various cost control measures. General and administrative expenses have decreased by HK$17 million to HK$66 million (2020: HK$83 million).

The Group's other gains and losses have turned to a positive of HK$30 million for the Year, compared to a negative of HK$22 million Last Year. Included in other gains and losses are exchange gain of HK$36 million for the Year.

over **340** shops in China

342 shops in Mainland China
3 shops in Hong Kong

20	Anhui	9	Heilongjiang	1	Jilin	3	Sichuan
16	Beijing	7	Henan	7	Liaoning	16	Tianjin
1	Chongqing	3	Hong Kong	5	Ningxia	2	Xinjiang
5	Fujian	23	Hubei	2	Qinghai	1	Yunnan
3	Gansu	3	Hunan	6	Shaanxi	1	Zhejiang
77	Guangdong	10	Inner Mongolia	55	Shandong		
14	Guangxi	25	Jiangsu	1	Shanghai		
20	Hebei	2	Jiangxi	7	Shanxi		

金至尊
3D-GOLD

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2021 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Retail business

Overall revenue from the retail business was approximately HK$91 million (2020: HK$213 million) for Hong Kong and Macau and HK$692 million (2020: HK$529 million) for Mainland China.

As at 30 June 2021, the Group had 3 points-of-sale in Hong Kong and 342 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 61 are self-operated points-of-sale and 281 are licensee points-of-sale.

The Group's self-operated points-of-sale are located at department stores or shopping malls within prime shopping districts in Mainland China and most of them are subject to turnover-based rent. The Hong Kong and Macau operations are, on the other hand, subject to fixed rentals. Management is currently engaged in negotiations with individual landlords to maintain the effective rentals at a reasonable level.

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

With an aim to improve the profitability, the management has focused on the following areas through implementing various measures: (i) adjusting the sales network by focusing on profit-making stores and closing down non-performing stores, (ii) introducing a new regional franchisee system to strengthen the retail operations, (iii) continuing to develop and promote new product series, (iv) persistent costs control including requesting landlords to provide rental reduction or relief; and (v) improving cash flow. The opening, renewal and closing of the Group's points-of-sales in Hong Kong, Macau, and Mainland China will be reviewed continually to ensure consistence with its overall business plan and strategies. The Group's growth plans will be continuously adjusted, based on the financial returns, marketing benefits and strategic advantages. Prospectively, the Mainland China market will remain the key growth driver in the future.

Wholesale and sub-contracting business

The wholesale and sub-contracting of gold and jewellery business had been suspended since July 2019. Considering that the Group had to incur costs and expenses for the maintenance of this business despite it having ceased operations, from a cost saving perspective, the Group has disposed of the relevant dormant subsidiaries during the Year under review.

Products and Design

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

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

– “Peter Rabbit™” Collection

– Pure Gold Chinese Zodiac Collection

– “PT Starry Shimmer” Collection

– “Golden Allure GA” Collection

– “Cool Love” Collection

– “K•LOVE” Collection

– “Love Rhythm” Collection

– “Love Lane” Collection

– Classic Gold Collection

– Wedding Collection

– “Starry Shimmer” Collection

Marketing and Promotion

The Group strongly believes in the value of a quality brand. The Group continues to promote the “3DG Jewellery 金至尊” brand through a comprehensive marketing programme. Some of Group’s marketing programme include:

– Organized a “Brand Licensee Business Webinar (2nd quarter 2020)”

– Organized a “Brand Licensee Business Webinar (3rd quarter 2020)”

– Organized a “2021 Spring Product Launch and Opening Ceremony of the Headquarters’ Showroom”

– Organized a “Brand Licensee Business Webinar (1st quarter 2021)”

– Organized a “Brand Licensee Business Webinar (2nd quarter 2021)”

Awards and Achievements

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

– “JESSICA-OL Favorite Brand Award 2019/2020 (Best Jewellery)”

– “2019 Hong Kong Awards for Environmental Excellence (HKAEE)-Certificate of Merit (Shops and Retailers Sector)”

– “Capital Weekly Services Awards 2020 – Jewellery”

– “BOCHK Corporate Environmental Leadership Awards Programme 2019 – Eco Partner”

– “Certificate of Outlet Anti-Epidemic Measures Recognition”

– “Marie Claire-Best Label Award 2019/2020 (Best Jewelry)”

– “Social Capital Builder Logo Award (2020-2022)”

– “CAPITAL Corporate Social Responsibility Awards 2020”

– “TVB Weekly Brand Award 2020” by TVB Weekly

– “10 Years Plus Caring Company”

– “Q-Mark Service Elite 2020” by Hong Kong Q-Mark Council

– “Elite Jewellery Brand Awards 2020” by Ming Pao Weekly

– “HK Top Service Brand Ten Year Achievement Award” by Hong Kong Brand Development Council

OUTLOOK

The COVID-19 pandemic is unlikely to subside in the near future as mass vaccination takes time and travel restrictions will remain in place to a certain extent while China-US conflict will continue to affect the recovery of the world’s economy. However, Mainland China was one of the first to start to emerge from the pandemic since the second half of 2020 resulting in a rebound in its economy. The Group believes that China’s significant market advantages and potentials for domestic demand, the long-term positive fundamentals of China’s economy remain unchanged. The Group will leverage on the stable economic environment in Mainland China to enhance its strategic coverage in the Mainland China market.

Going forward, the Group will continue to swiftly responded to the turbulent retail market by adopting various measure to save costs and minimize expenditures in order to enhance cost effectiveness and business efficiency and continuously explore new business opportunities to diversify its revenue base, in order to create greater value for its investors and stakeholders.

FUNDS RAISING AND USE OF PROCEEDS

As at 30 June 2021, the Company has fully utilized the remaining balance of HK$29.2 million of the net proceeds raised from subscription of convertible bonds, completed on 16 January 2020. A summary of the utilization of the net proceeds as at 30 June 2021 is set forth below.

	Unutilized amount as of 30 June 2020 *HK$ million* (approximately)	**Utilized net proceeds up to 30 June 2021** *HK$ million* (approximately)	**Unutilized net proceeds up to 30 June 2021** *HK$ million* (approximately)
Intended use disclosed in the Company's announcement dated 29 May 2019, 27 April 2020 and circular dated 17 July 2019			
Repayment of convertible bonds	27.0	(27.0)	0.0
Repayment of other indebtedness	2.2	(2.2)	0.0
	29.2	(29.2)	0.0

INVESTOR RELATIONS

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

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

OTHERS

Liquidity and Financial Resources

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. As at 30 June 2021, the Group had total cash and cash equivalents amounting to HK$863 million (2020: HK$879 million). The Group's net borrowing as at 30 June 2021 was HK$840 million (2020: HK$843 million), being total borrowing of HK$1,703 million (2020: HK$1,722 million) less pledged bank deposits and bank balances and cash of HK$863 million (2020: HK$879 million). After taking into account the gold inventories of HK$266 million (2020: HK$258 million), the Group's net borrowing as at 30 June 2021 was HK$574 million (2020: HK$585 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 30 June 2021, the Group has available unutilized revolving banking facilities of HK$664 million (2020: HK$640 million).

The current ratio of the Group as at 30 June 2021 was 93% (2020: 92%), calculated on the basis of current assets of HK$1,619 million (2020: HK$1,629 million) over current liabilities of HK$1,733 million (2020: HK$1,775 million). The gearing ratio was 107% (2020: 106%), calculated on the basis of the total liabilities of HK$1,950 million (2020: HK$1,983 million) over total assets of HK$1,828 million (2020: HK$1,864 million).

Capital Commitments

Capital commitments of the Group as at 30 June 2021 are set out in note 33.

Pledged Assets

Pledged assets of the Group as at 30 June 2021 are set out in note 35.

Contingent Liabilities and Guarantee

As at 30 June 2021, the Company had corporate financial guarantee amounting to HK$1,075,000,000 (2020: HK$1,075,000,000) to banks in respect of 50% of the aggregated amount of banking facilities granted to its subsidiary. As at 30 June 2021, the banking facilities utilised by the subsidiary was HK$1,486,000,000 (2020: HK$1,510,000,000). As at 30 June 2021, a loss allowance of HK$12,435,000 estimated under the expected credit loss model in respect of such corporate financial guarantee in the Company's statement of financial position was recognised (2020: Nil) whereas no financial impact on the consolidated financial statements. As at 30 June 2021 and 2020, save as disclosed above, the Group and the Company did not have any material contingent liabilities.

Litigation

The Company received a winding-up petition filed by Luk Fook 3D, a non-controlling shareholder of a subsidiary, against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region on 24 October 2019 (the "Hong Kong Petition") and a winding-up petition filed by Luk Fook 3D against the Company in the Supreme Court of Bermuda on 28 November 2019 (the "Bermuda Petition"). In July 2020, the Company repaid the loan principal of HK$27,000,000 and the relevant accrued interest to Luk Fook 3D. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all its liabilities and obligations owing to Luk Fook 3D under CB 2019. As at 30 June 2021, both the Bermuda and Hong Kong Petition have been withdrawn.

Significant Investments, Material Acquisitions and Disposals

On 16 March 2021, Brand New Management Limited ("Brand New", a wholly-owned subsidiary of the Company) and Asian Meet Limited ("Asian Meet", an independent third party), entered into the sale and purchase Agreement, pursuant to which Brand New agreed to sell and Asian Meet agreed to acquire the entire issued share capital of Joyrise Ventures Limited ("Joyrise", a wholly-owned subsidiary of the Company), at the cash consideration of HK$10,000. The disposal transaction was completed on 17 March 2021 and Joyrise ceased to be a subsidiary of the Company. Further details are set out in the announcement dated 16 March 2021.

On 22 June 2021, Brand New and Mr. Li Ning ("Mr. Li", the chairman and an executive Director), entered into the sale and purchase Agreement, pursuant to which Brand New agreed to sell and Mr. Li agreed to acquire the entire issued share capital of Prosten Wealth Investment Limited ("Prosten", a wholly-owned subsidiary of the Company), at the cash consideration of HK$1,458,000. The disposal transaction was completed on 23 June 2021 and Prosten ceased to be a subsidiary of the Company. Further details are set out in the announcement dated 22 June 2021.

On 22 June 2021, Brand New and an independent third party entered into the sale and purchase Agreement, pursuant to which Brand New agreed to sell and the independent third party agreed to acquire the entire issued share capital of Century Height Limited ("Century Height", a wholly-owned subsidiary of the Company), at the cash consideration of HK$3,160,000. The disposal transaction was completed on 25 June 2021 and Century Height ceased to be a subsidiary of the Company.

Save as disclosed above, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the year ended 30 June 2021.

Events after the reporting period

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

a) On 23 July 2021, special resolutions were passed at a special general meeting as follows:

   i) To consolidate every 10 issued and unissued existing ordinary shares of par value of HK$0.04 each (the "Existing Share") in the share capital of the Company into 1 consolidated share of par value of HK$0.4 each (the "Consolidated Share"); and every 10 issued and unissued preference shares of par value of HK$0.04 each in the share capital of the Company into 1 consolidated preference share of par value of HK$0.4 each (the "Consolidated Preference Share" and collectively the "Share Consolidation").

   ii) To reduce the share capital of the Company through a cancellation of (a) any fractional Consolidated Share in the share capital of the Company that may arise as a result of the Share Consolidation; and (b) the paid-up capital of the Company to the extent of HK$0.399 on each of the issued Consolidated Share such that the par value of each issued Consolidated Share shall be reduced from HK$0.4 each to HK$0.001 each, resulting a new share of par value of HK$0.001 each (the "New Share" and collectively the "Capital Reduction").

   iii) To sub-divide (a) each of the authorised but unissued Consolidated Share into 400 New Share, so that the par value of each unissued Consolidated Share is reduced from HK$0.4 each to HK$0.001 each; and (b) each of the authorised but unissued Consolidated Preference Share into 400 new preference shares, so that the par value of each unissued Consolidated Preference Share shall be reduced from HK$0.4 each to HK$0.001 each (collectively the "Share Sub-division).

   The Share Consolidation, the Capital Reduction and the Share Sub-division (collectively the "Capital Reorganisation") were completed and effective on 27 July 2021. Upon the Capital Reorganisation become effective, the exercise prices of share options granted under the 2009 Share Option Scheme are adjusted from HK$0.9152 to HK$9.152 per share option and from HK$0.3232 to HK$3.232 per share option respectively, and the conversion price of CB 2023 is also adjusted from HK$0.15 to HK$1.5 per convertible bond.

b) As at 30 June 2021, the Group had an outstanding loan of HK$27,000,000 payable to Luk Fook 3D, a non-controlling shareholder of a subsidiary, which was unsecured, interest bearing at 18% per annum and repayable on 22 July 2021. In July 2021, the Group repaid a sum of approximately HK$18,464,000 to Luk Fook 3D, which included outstanding interest payables of approximately HK$4,964,000 and partial loan principal of HK$13,500,000. Subsequent to 30 June 2021, the Group successfully reached an agreement with Luk Fook 3D to extend the repayment date of the remaining loan principal amount of HK$13,500,000 to 22 November 2021. The associated loan interests shall be repaid on respective pre-agreed dates.

Financial Risk and Exposure

The Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 2021.

Foreign Exchange Exposure

For the year ended 30 June 2021, the Group earned revenue in HK$, RMB and MOP and incurred costs in HK$, RMB, US$ and MOP. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any permanent or significant change in RMB against HK$, may have possible impact on the Group's results and financial positions.

Employees and Remuneration Policy

As at 30 June 2021, the Group had 982 employees (2020: 1,061 employees). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

SUPPLEMENTARY INFORMATION REGARDING THE QUALIFIED OPINION

The Company's view and position as to the audit qualifications

The audit qualifications (the "2021 Audit Qualifications") as disclosed in the independent auditor's report for the year ended 30 June 2021 is relating to the uncertainty of the opening balances and corresponding figures in connection with the amounting to HK$74,400,000 and the respective interest receivables amounting to HK$11,558,000 (the "Loans") advanced by Prosten Finance Limited ("PFL"), a wholly-owned subsidiary of the Company as at 30 June 2019 and 2020 respectively whereas PFL was disposed of by the Group during the year ended 30 June 2021. Details of the audit qualifications in previous years kindly refer to the independent auditor's report for the years ended 30 June 2019 and 2020 respectively (collectively the "Previous Audit Qualifications").

In view of the 2021 Audit Qualifications, the Group has discussed with the Company's independent auditors (the "Auditors") prior to the publication of this annual report. The management took the view that that the disposal of PFL (the "Disposal"), as described in notes 21 and 32 to the Group's consolidated financial statements for the year ended 30 June 2021, will have a positive impact on the removal of the Previous Audit Qualifications. However, given that the Group was unable to determine whether adjustments might have been necessary in respect of the Disposal, this led to the 2021 Audit Qualifications as well as will have consequential impact to the opening balances and corresponding figures of the consolidated financial statement in the coming financial year.

Impact of the 2021 Audit Qualifications on the Group's consolidated financial position

The Group has discussed with the Auditors and understood that the 2021 Audit Qualification shall have consequential impact to the opening balances and corresponding figures of the Group's consolidated financial statements for the year ending 30 June 2022. As a result, the 2021 Audit Qualification shall be carried forward to the Group's consolidated financial statements for the year ending 30 June 2022 (the "2022 Audit Qualifications") while the 2022 Audit Qualification shall not have consequential impact to the opening balance and corresponding figures of the Group's consolidated financial statements for the year ending 30 June 2023 (collective referred to as the "2023 Comparative Figures") as the 2023 Comparative Figures are free from the impacts of the Loans and the Disposal. At such, the Auditors expected the audit qualifications regarding the Loans and the Disposal will be removed from the Group's consolidated financial statements for the year ending 30 June 2023.

As the closing balance and corresponding figures carried forward does not have any consequential impacts of the Loans and the Disposal on the Group's consolidated financial statements for the year ending 30 June 2023, the Directors considered the audit qualifications regarding the Loans and the Disposal could be removed in the Group's consolidated financial statements for the year ending 30 June 2023.

Audit committee's view on the qualified opinion

The audit committee of the Company (the "Audit Committee") had critically reviewed the 2021 Audit Qualifications and also the management's position and action plan of the Group to address the 2021 Audit Qualifications. The Audit Committee is in agreement with the management with respect to the 2021 Audit Qualifications and the 2022 Audit Qualifications and is of the view that the Group will be able to remove the audit qualification regarding the Loans and the Disposal for the financial year ending 30 June 2023.

Profiles of Directors

The profiles of Directors as at 29 September 2021, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Li Ning, aged 36, was appointed as an executive Director and Chairman of the Board on 12 June 2019. Mr. Li graduated from People's Public Security University of China. Mr. Li was the chairman of 山西太和相業實業集團有限公司 (Shanxi Taihe Xiangye Industrial Group Company Limited) and started his businesses of 上海玆諾金融信息服務有限公司 (Shanghai Zno Financial Information Service Company Limited) and 深圳市前海普諾供應鏈有限公司 (Shenzhen Qianhai Puno Supply Chain Company Limited). Mr. Li serves as a non-independent Director and the Chairman of the Board of 北京漢邦高科數字技術股份有限公司 (Beijing Hanbang Technology Corp.) (stock code: 300449.SZ), a company listed on the Shenzhen Stock Exchange, with effect from 17 September 2020 and 7 April 2021 respectively. He has extensive experience in corporate investment, corporate management and financial services.

Mr. Wang Chaoguang, aged 49, was appointed as an executive Director and the Co-chairman of the Company on 1 April 2021. He is currently an executive Director of 北京金匯鼎銘投資管理有限公司 (Beijing Jin Hui Ding Ming Investment Management Company Limited), a company principally engaged in the provision of asset management and corporate investment consultancy services and 山西中正達投資管理有限公司(Shanxi Zhong Zheng Da Investment Management Company Limited), a company principally engaged in the provision of corporate investment consultancy services, and the funding of corporate projects. Mr. Wang serves as a non-independent Director of 北京漢邦高科數字技術股份有限公司 (Beijing Hanbang Technology Corp.) (stock code: 300449.SZ). Mr. Wang has around 10 years of experience in the asset management and corporate investment consultancy, and over 15 years of experience in the real estate development and investment business. He has extensive experience in corporate management and corporate investment. Mr. Wang also has experience in the information technology (IT) development and consultancy business.

Ms. Dai Wei, aged 41, was appointed as an executive Director on 31 May 2017. Ms. Dai holds a double master degree in Financial and Acturial Engineering from Katholic University of Leuven, Belgium. Ms. Dai has worked for ING Bank and China Sonangol International Limited. Ms. Dai was the chief financial officer of Titan Petrochemicals Group Limited (stock code: 1192), a company listed on the main board of the Stock Exchange. Ms. Dai is currently a director of Weltrade Group Limited, the substantial shareholder of the Company. Ms. Dai has been assigned key positions in a number of cross border merger and acquisition and investment projects in gas, oil and mining.

NON-EXECUTIVE DIRECTOR

Mr. Hu Hongwei, aged 42, is an attorney-at-law admitted to practice in China. He was graduated from Fudan University with a Bachelor of Laws (LLB) degree and Master of Laws (LLM) degree. He is currently a partner of a PRC law firm. He has extensive experience in legal aspects of cross-border investment, restructuring and mergers and acquisitions practice. Mr. Hu was designated as an independent non-executive director of Tenwow International Holdings Limited (previous stock code: 1219) ("Tenwow International") on 26 November 2018, following the company being put in provisional liquidation on 16 November 2018 (Cayman Islands time), and was re-designated as a non-executive director of Tenwow International on 12 July 2019 and resigned following the cancellation of its listing with effect from 13 November 2020. Mr. Hu severed as a member of the independent board committee of Tenwow International responsible for the forensic investigation on certain transactions conducted by Tenwow International before 2018, and was not involved in any disciplinary action made by the Stock Exchange against Tenwow International and its relevant directors. Mr. Hu had served as an independent non-executive Director, a nonexecutive Director and an executive Director of Titan Petrochemicals Group Limited (stock code: 1192), a Hong Kong listed company from November 2015 to February 2018 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu alias Loke Hoi Lam, aged 72, was appointed as an Independent Non-executive Director on 31 May 2017. Dr. Loke has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. Dr. Loke is a Fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and Hong Kong Independent Non-Executive Directors Association.

Dr. Loke serves as an independent non-executive director of Chiho Environmental Group Limited (stock code: 976), China Silver Technology Holdings Limited (stock code: 515), Hang Sang (Siu Po) International Holding Company Limited (stock code: 3626), Hong Kong Resources Holdings Company Limited (stock code 2882), Matrix Holdings Limited (stock code: 1005), TradeGo FinTech Limited (stock code: 8017), Tianjin Development Holdings Limited (stock code: 882), Times Universal Group Holdings Limited (stock code: 2310), V1 Group Limited (stock code: 82) and Zhenro Properties Group Limited (stock code: 6158). He also serves as a non-executive director of VESON Holdings Limited (stock code: 1399).

He was an independent non-executive director of Winfair Investment Company Limited (stock code: 287) from 2 April 2007 to 2 April 2018, Shenzhou Space Park Group Limited (stock code: 692) from 9 August 2013 to 6 August 2018, Scud Group Limited (stock code: 1399) from 14 May 2009 to 27 September 2018, China Beidahuang Industry Group Holdings Limited (stock code: 39) from June 2005 to 31 October 2018, Lamtex Holdings Limited (stock code: 1041) from 28 July 2015 to 23 Mar 2020, Tianhe Chemicals Group Limited (stock code: 1619) from May 2014 to 30 May 2020, CIMC-TianDa Holdings Company Limited (stock code: 445) from 1 August 2006 to 31 January 2021 and Zhong An Group Limited (stock code: 672) from 30 June 2009 to 9 June 2021. All of these companies are listed on the main board of the Stock Exchange.

Mr. Fan, Anthony Ren Da, aged 61, was appointed as an Independent Non-executive Director on 30 September 2008. Mr. Fan holds a master degree of business administration from the United States. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange.

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

Mr. Fan has been re-designated from an independent non-executive Director of Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) to an executive Director on 18 May 2021. Mr. Fan has retired as an independent non-executive Director of Raymond Industrial Limited (Stock Code: 229) on 21 May 2021. All of these companies are listed on the main board of the Stock Exchange.

Mr. Chan Kim Sun, aged 40, was appointed as an independent non-executive Director on 19 February 2021. He is currently a non-practising member of the Hong Kong Institute of Certified Public Accountants and is a fellow of the Association of Chartered Certified Accountants. Mr. Chan graduated from The Hong Kong University of Science and Technology with a bachelor's degree in business administration majoring in accounting and finance in November 2003.

Mr. Chan worked at HLB Hodgson Impey Cheng Limited with his latest position as an audit manager from October 2004 to March 2010. Mr. Chan served as finance controller and company secretary of China Infrastructure Investment Limited, the shares of which are listed on the Stock Exchange (stock code: 600), from August 2011 to September 2014 and from September 2012 to September 2014, respectively. Since December 2015, Mr. Chan has been an independent non-executive director of Virscend Education Company Limited, the shares of which are listed on the Stock Exchange (stock code: 1565). Since April 2018, Mr. Chan has been an independent non-executive director of Vision International Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8107). Since January 2019, Mr. Chan has been the company secretary of WMCH Global Investment Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8208).

Corporate Governance Report

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

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

The Company principally complied with the CG Code throughout the year ended 30 June 2021 (the "Year"), except for the following deviations:

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board comprises the following Directors during the Year and up to the date of this annual report. Brief profiles of the Directors are set out on pages 20 to 22 of this annual report. During the Year, eight board meetings and two general meetings were held and the attendance of each Director is set out below:

	Attendance/Number of meetings	
	Board meetings	**Annual general meeting**
Executive Directors		
Mr. Li Ning, Chairman	6/8	1/1
Mr. Wang Chaoguang *(appointed on 1 April 2021)*	2/2	N/A
Ms. Dai Wei	8/8	1/1
Non-executive Directors		
Mr. Hu Hongwei *(re-designated from executive Director to non-executive Director on 27 July 2020)*	8/8	1/1
Independent Non-executive Directors		
Dr. Loke Yu alias Loke Hoi Lam	8/8	1/1
Mr. Xu Xiaoping *(retired on 27 November 2020)*	3/4	0/1
Mr. Fan, Anthony Ren Da	8/8	1/1
Mr. Chan Kim Sun *(appointed on 19 February 2021)*	4/4	N/A

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

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

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

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

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

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR

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

(1) Mr. Li Ning was appointed as a non-independent Director and the Chairman of the Board of 北京漢邦高科數字技術股份有限公司 (Beijing Hanbang Technology Corp.) (stock code 300449.SZ), a company listed on the Shenzhen Stock Exchange, with effect from 17 September 2020 and 7 April 2021 respectively.

(2) Mr. Wang Chaoguang has been appointed as an executive Director and the Co-chairman of the Company with effect from 1 April 2021. Mr. Wang was appointed as a non-independent Director of 北京漢邦高科數字技術股份有限公司 (Beijing Hanbang Technology Corp.) (stock code: 300449.SZ) with effect from 2 August 2021.

(3) Mr. Hu Hongwei resigned as a non-executive Director of Tenwow International Holdings Limited (previous stock code: 1219) following the cancellation of its listing with effect from 13 November 2020.

(4) Dr. Loke Yu alias Loke Hoi Lam resigned as an independent non-executive Director of CIMC-Tianda Holdings Company Limited (stock code 445) following its privatization with effect from 1 February 2021. Dr. Loke resigned as an independent non-executive Director of Zhong An Group Limited (stock code: 672) on 10 June 2021.

(5) Mr. Fan, Anthony Ren Da has been re-designated from an independent non-executive Director of Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) to an executive Director on 18 May 2021. Mr. Fan has retired as an independent non-executive Director of Raymond Industrial Limited (Stock Code: 229) on 21 May 2021.

(6) Mr. Chan Kim Sun was appointed as an independent non-executive Director, chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company with effect from 19 February 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has met the requirements of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation from each independent non-executive Director pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

In particular, Mr. Fan, Anthony Ren Da has served on the Board for more than 9 years. He is not involved in the daily management of the Company or in any relationships or circumstances which would interfere with the exercise of his independent judgment. He continues to demonstrate his ability to provide an independent, balanced and objective view to the affairs of the Company. The Company is satisfied that he remains independent notwithstanding the length of his service.

DIVERSITY OF THE BOARD

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

BOARD COMMITTEES

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

Remuneration Committee

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

Remuneration Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Mr. Chan Kim Sun *(appointed on 19 February 2021)*	N/A
Mr. Xu Xiaoping, Chairman *(retired on 27 November 2020)*	1/1
Dr. Loke Yu alias Loke Hoi Lam	1/1
Mr. Fan, Anthony Ren Da	1/1

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

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

Nomination Committee

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

Nomination Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam	1/1
Mr. Xu Xiaoping *(retired on 27 November 2020)*	1/1
Mr. Fan, Anthony Ren Da	1/1
Mr. Chan Kim Sun *(appointed on 19 February 2021)*	N/A
Executive Director	
Mr. Li Ning, Chairman	1/1

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

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

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

Nomination Policy

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

Audit Committee

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

Audit Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam, Chairman	2/2
Mr. Xu Xiaoping *(retired on 27 November 2021)*	1/1
Mr. Fan, Anthony Ren Da	2/2
Mr. Chan Kim Sun *(appointed on 19 February 2021)*	1/1

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

During the Year, the Audit Committee had:

(i) reviewed the Group's annual report for the year ended 30 June 2021 and the Group's interim report for the 6 months ended 31 December 2020 with the external auditors;

(ii) reviewed the external auditors' letter to the audit committee;

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

(iv) reviewed the internal audit findings and recommendations of the internal audit department of the Group (the "Internal Audit Department");

(v) reviewed the internal control findings and recommendations of the internal control consultant; and

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

AUDITOR'S REMUNERATION

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

Auditor	**Services rendered**	**Fees paid/payable**
		HK$'000
Crowe (HK) CPA Limited	Audit services	2,150,000
Crowe (HK) CPA Limited	Non-audit services	200,000

FINANCIAL REPORTING

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

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

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

MEMORANDUM AND BYE-LAWS OF THE COMPANY

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

Directors' Report

The directors of the Company (the "Directors") present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 30 June 2021 (the "Year").

PRINCIPAL ACTIVITIES

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

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

The results of the Group for the year ended 30 June 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43.

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2021 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

A fair review and the outlook of the Group's business are provided in the Letter to Shareholders on page 9 and the Management Discussion and Analysis on pages 10 to 19 of this annual report. The financial risk management objectives and policies of the Group are set out in note 38 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company will publish an Environmental, Social and Governance Report within five months after the end of the financial year ended 30 June 2021.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVE

As at 30 June 2021, the Company did not have distributable profit to shareholders (2020: nil).

DIRECTORS

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

Executive Directors

Mr. Li Ning, Chairman
Mr. Wang Chaoguang, Co-chairman (appointed on 1 April 2021)
Ms. Dai Wei

Non-executive Directors

Mr. Hu Hongwei (re-designated from executive Director to non-executive Director on 27 July 2020)

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
Mr. Xu Xiaoping (retired on 27 November 2020)
Mr. Fan, Anthony Ren Da
Mr. Chan Kim Sun (appointed on 19 February 2021)

In accordance with the Company's bye-laws, Mr. Wang Chaoguang, Dr. Loke Yu alias Loke Hoi Lam, Mr. Fan, Anthony Ren Da and Mr. Chan Kim Sun shall retire from office at the forthcoming annual general meeting and, being eligible, offers themself for re-election.

DIRECTORS' SERVICE CONTRACTS

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

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

At 30 June 2021, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares

	Number of ordinary shares				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**% of issued ordinary shares**
Mr. Li Ning	1,570,000	–	210,000,000[(a)]	211,570,000	13.68%
Mr. Wang Chaoguang	–	–	–	–	–
Ms. Dai Wei	–	–	–	–	–
Mr. Hu Hongwei	–	–	–	–	–
Dr. Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Mr. Fan, Anthony Ren Da	–	–	–	–	–
Mr. Chan Kim Sun	–	–	–	–	–

Note:

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

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

Name of director	Capacity	Number of shares interested	% of issued ordinary shares
Ms. Dai Wei	Beneficial owner (Note a)	8,750,000	0.57%
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note a)	875,000	0.06%
Mr. Fan, Anthony Ren Da	Beneficial owner (Note a)	1,325,000	0.09%

Note:

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

Saved as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 30 June 2021.

SHARE OPTIONS AND CONVERTIBLE BONDS

Particulars of the Company's share option scheme and convertible bonds are set out in notes 31 and 22 to the consolidated financial statements respectively.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

At 30 June 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(a) Long positions in shares of the Company

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	% of issued ordinary shares
Ms. Hao Yuanyuan	Corporate interest (Note a)	280,000,000	18.10%
Well Pop Group Limited	Beneficial owner (Note a)	280,000,000	18.10%
Mr. Zheng Yue Wen	Corporate interest (Note b)	251,055,619	16.23%
Mr. Wen Jialong	Beneficial owner (Note b)	1,415,489	0.09%
	Corporate interest (Note b)	251,055,619	16.23%
Hallow King Global Investment Limited	Corporate interest (Note b)	251,055,619	16.23%
Kerui Jinrong Company Limited	Corporate interest (Note b)	251,055,619	16.23%
Weltrade Group Limited	Beneficial owner (Note b)	251,055,619	16.23%
Mr. Li Ning	Beneficial owner (Note c)	1,570,000	0.10%
	Corporate interest (Note c)	210,000,000	13.58%
Eminent Rise Holdings Limited	Beneficial owner (Note c)	210,000,000	13.58%
Mr. Wang Chaoguang	Corporate interest (Note d)	650,000,000	42.02%
Grace Fountain Holdings Limited	Beneficial owner (Note d)	650,000,000	42.02%
Mr. Duan Guangzhi	Corporate interest (Note e)	500,000,000	32.33%
Excel Horizon Investments Limited	Beneficial owner (Note e)	500,000,000	32.33%

Notes:

(a) The shares are held by Well Pop Group Limited ("Well Pop"). Well Pop is a company wholly-owned by Ms. Hao Yuanyuan. As such, Ms. Hao Yuanyuan is deemed to be interested in all the shares held by Well Pop.

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

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

(d) Grace Fountain Holdings Limited (which is wholly-owned by Mr. Wang Chaoguang, the executive Director and Co-chairman of the Board) had entered into the subscription agreement dated 31 May 2021 with the Company, pursuant to which Grace Fountain Holdings Limited had agreed to subscribe for 650,000,000 Shares, at the price of HK$0.05 per share. As at the date of this annual report, the subscription has not completed.

(e) Excel Horizon Investments Limited (which is wholly-owned by Mr. Duan Guangzhi) had entered into the subscription agreement dated 31 May 2021 with the Company, pursuant to which Excel Horizon Investments Limited had agreed to subscribe for 500,000,000 Shares, at the price of HK$0.05 per share. As at the date of this annual report, the subscription has not completed.

(f) The capital reorganisation of the Company, being the share consolidation, the capital reduction and the share sub-division, was approved on 23 July 2021 and became effective on 27 July 2021. For details, please refer to the circular of the Company dated 30 June 2021.

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

Name of substantial shareholder	Capacity	Number of shares interested	% of issued ordinary shares
Ms. Hao Yuanyuan	Corporate interest (Note a)	533,000,000	34.46%
Well Pop Group Limited	Beneficial owner (Note a)	533,000,000	34.46%
Mr. Wang Chaoguang	Corporate interest (Note b)	800,000,000	51.72%
Grace Fountain Holdings Limited	Beneficial owner (Note b)	800,000,000	51.72%
Mr. Duan Guangzhi	Corporate interest (Note c)	500,000,000	32.33%
Excel Horizon Investments Limited	Beneficial owner (Note c)	500,000,000	32.33%

Notes:

(a) These derivatives comprise interests in the form of convertible bonds held by Well Pop.

(b) Grace Fountain Holdings Limited had entered into the subscription agreement dated 31 May 2021 with the Company, pursuant to which Grace Fountain Holdings Limited had agreed to subscribe for the convertible bonds in the aggregate principal amount of HK$52,000,000, convertible into 800,000,000 Shares based on the initial conversion price of HK$0.065 per conversion share. As at the date of this annual report, the subscription has not completed.

(c) Excel Horizon Investments Limited had entered into the subscription agreement dated 31 May 2021 with the Company, pursuant to which Excel Horizon Investments Limited had agreed to subscribe for the convertible bonds in the aggregate principal amount of HK$32,500,000, convertible into 500,000,000 Shares based on the initial conversion price of HK$0.065 per conversion share. As at the date of this annual report, the subscription has not completed.

(d) The capital reorganisation of the Company, being the share consolidation, the capital reduction and the share sub-division, was approved on 23 July 2021 and became effective on 27 July 2021. For details, please refer to the circular of the Company dated 30 June 2021.

Saved as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

CONTINUING CONNECTED TRANSACTIONS

On 19 November 2018, CGS entered into a service agreement ("Service Agreement") with GS Tech Company Limited ("GS Tech"), a company incorporated in Hong Kong and 92% indirectly owned by the Wong's family trust, of which Mr. Wong Ho Lung Danny, an executive director of CGS and one of the discretionary beneficiaries, pursuant to which CGS shall pay to GS Tech a monthly maintenance fee covering the maintenance services provided by GS Tech for the Computer Programs used by the CGS Group's retail outlets and head offices for a term of the period from 1 July 2018 to 30 June 2021. The maximum annual maintenance fee payable by CGS to GS Tech pursuant to the Service Agreement shall be no more than HK$7,000,000, HK$8,000,000 and HK$10,000,000 for each of the three years ending 30 June 2019, 2020 and 2021, respectively. During the year ended 30 June 2021, the service fee charged by GS Tech to CGS pursuant to the Service Agreement was approximately HK$3,140,000. The Service Agreement constitutes a continuing connected transaction as GS Tech is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 19 November 2018.

On 19 November 2018, CGS Shenzhen (as tenant) entered into tenancy agreements with each of 重慶市光生成貿易有限公司 ("Chongqing QSC"), 重慶市福邀貿易有限公司 ("Chongqing Fu Yao") and 重慶市聿宿貿易有限公司"(Chongqing Yu Xiu") (as landlord) for the rental of the premises located at IBC, Buxin Street 3008, Louhu District, Shenzhen which was used by the Group as its office premises in Shenzhen, the PRC for a term of the period from 1 November 2018 to 31 October 2021. The maximum amount of annual rental payable by CGS Shenzhen to Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu under the tenancy agreements shall be no more than RMB5,000,000 (HK$5,764,000) for each of the three years ending 30 June 2019, 2020 and 2021. During the year ended 30 June 2021, the rental charged by Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu to CGS Zhenzhen pursuant to the tenancy agreements was approximately RMB589,000, RMB1,878,000 and RMB1,855,000 (equivalent to approximately HK$715,000, HK$2,278,000 and HK$2,250,000). As Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu are wholly owned by Luk Fook Holdings, Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu are the connected persons of the Company at the subsidiary level and the tenancy agreements constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 19 November 2018.

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

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

RELATED PARTY TRANSACTIONS

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

EMOLUMENT POLICY

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

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

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

DIVIDEND POLICY

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

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

PRE EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2021.

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$19,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest suppliers of the Group accounted for 58% of the Group's purchases and 39% of the total purchases were attributed to the Group's largest supplier.

Aggregate sales attributable to the Group's five largest customers were 22% of the total turnover and 6% of the Group's total sales were attributed to the Group's largest customer.

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

EXPOSURE TO BORROWERS AND OTHER SPECIFIC CIRCUMSTANCES THAT REQUIRE DISCLOSURE

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

APPOINTMENT OF NEW EXTERNAL AUDITOR

The Group's consolidated financial statements for the years ended 30 June 2018 and 30 June 2019 were audited by Deloitte Touche Tohmatsu. Crowe (HK) CPA Limited was appointed as the external auditor of the Company to fill the vacancy following the retirement of Deloitte Touche Tohmatsu as the independent auditor of the Company at the annual general meeting of the Company held on 23 June 2020. The Group's consolidated financial statements for the year ended 30 June 2020 were audited by Crowe (HK) CPA Limited. Save as disclosed, there were no other changes in the Company's independent auditor in the past three years. The Group's consolidated financial statements for the year ended 30 June 2021 were audited by Crowe (HK) CPA Limited. A resolution will be proposed at the 2021 annual general meeting to re-appoint Crowe (HK) CPA Limited as the external auditor of the Company.

On behalf of the Board

Mr. Li Ning
Chairman

Hong Kong, 29 September 2021

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

QUALIFIED OPINION

We have audited the consolidated financial statements of Hong Kong Resources Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 141, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Opening balances and corresponding figures

As disclosed in note 21 to the consolidated financial statements, the predecessor auditor of the Company (the "Predecessor Auditor") expressed a qualified opinion due to various limitations in evidence available to it regarding the loan receivables amounting to HK$74,400,000 and the respective interest receivables amounting to HK$11,558,000 (the "Loans") as at 30 June 2019. The Loans were advanced by Prosten Finance Limited, a wholly-owned subsidiary of the Company as at 30 June 2019 and 2020 whereas Prosten Finance Limited was disposed of by the Group during the year ended 30 June 2021. Details of the limitations and disposal of Prosten Finance Limited are described in notes 21 and 32 to the consolidated financial statements respectively.

Since opening balances of assets and liabilities of the Group entered into the determination of the financial performance and cash flows of the Group for the year ended 30 June 2020, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 30 June 2020 reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows from or used in operating activities for the year ended 30 June 2020 reported in the consolidated statement of cash flows. Any adjustments found to be necessary would have a consequential impact on the Group's net liabilities as at 30 June 2020 and the Group's loss for the year then ended. These circumstances caused us to qualify our opinion on the consolidated financial statements in respect of the year ended 30 June 2020.

As a result, in performing our audit of the consolidated financial statements of the Group for the year ended 30 June 2021, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the balances of assets, liabilities and reserves as at 1 July 2020 and the corresponding figures were fairly stated. Any adjustments that might have been found to be necessary in respect of the above had we obtained sufficient appropriate audit evidence would have a consequential effect on the net liabilities of the Group as at 1 July 2020, and of its financial performance and cash flows for the current and prior years, and the related disclosures thereof in the consolidated financial statements.

Disposal of Prosten Wealth Investment Limited

As disclosed in note 32 to the consolidated financial statements, the Group completed the disposal of the entire issued shares of Prosten Wealth Investment Limited during the year (the "Disposal"), and Prosten Finance Limited is a wholly-owned subsidiary of Prosten Wealth Investment Limited. As mentioned above, due to various limitations as disclosed in note 21 to the consolidated financial statements, there were no alternative audit procedures we could perform to satisfy ourselves as to the various assertions the Predecessor Auditor concerned regarding the Loans as at the date of the Disposal. As a result, we were unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the accuracy in respect of the gain from the Disposal during the year ended 30 June 2021.

Any adjustments that might have been found to be necessary in respect of the above had we obtained sufficient appropriate audit evidence would have a consequential effect on the Group's financial performance and cash flows for the year ended 30 June 2021, and the related disclosures thereof in the consolidated financial statements.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of inventories	How our audit addressed the key audit matter
We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgement associated with the determination of allowance for inventories. As disclosed in note 20 to the consolidated financial statements, the carrying amount of inventories is approximately HK$674,132,000 as at 30 June 2021. In estimating the amount of allowance for inventories, management reviews the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of allowance for inventories. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration.	Our audit procedures in relation to the valuation of inventories included: – Understanding management's process of how to determine the allowance for inventories; – Evaluating the reasonableness of the net realisable value of inventories, with reference to the condition of the inventories, historical and current sales information, and aging of inventories; – Checking the historical and current sales information and aging of inventories, on a sample basis, to source documents; – Evaluating the competence, capabilities and objectivity of the independent external valuer and obtaining an understanding of their scope of work; and – Evaluating the reasonableness of the valuation process carried out by the independent external valuer on selected jewellery items and traced the carrying amounts of selected jewellery items to the jewellery appraisal report to test these were recorded at lower of cost and net realisable value.

Valuation of the trademarks "3D-Gold"	How our audit addressed the key audit matter
We identified the valuation of the trademarks "3D-Gold" as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgment associated in determining the impairment loss on the trademarks "3D-Gold". As disclosed in note 17 to the consolidated financial statements, the carrying amount of the trademarks "3D-Gold" is approximately HK$168,066,000 as at 30 June 2021. In estimating whether there was any impairment of the trademarks "3D-Gold", management estimates the future cash flows expected to arise from the trademarks "3D-Gold" and a suitable discount rate in order to calculate the recoverable amount. The recoverable amount is determined based on a value in use calculation as detailed in note 17 to the consolidated financial statements in relation to the impairment assessment of the trademarks "3D-Gold".	Our audit procedures in relation to the valuation of the trademarks "3D-Gold" included: – Understanding the Group's impairment assessment process in respect of the trademarks "3D-Gold"; – Evaluating the appropriateness of the valuation model adopted and the reasonableness of key assumptions used in the valuation with reference to the economic outlook, the Group's past sales experience, market data and our industry knowledge; – Evaluating the historical accuracy of financial budgets prepared by the management by comparing the historical financial budgets with the actual performance; – Evaluating the sufficiency of the disclosure of impairment assessment by management in the consolidated financial statements; and – Involving our internal valuation experts to review and assess whether the valuation model used by the management was appropriate and whether the key assumptions used in the valuation model were reasonable.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 September 2021

Chan Wing Fai
Practising Certificate Number P07327

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	6(a)	**855,820**	804,863
Cost of sales		**(587,534)**	(526,944)
Gross profit		**268,286**	277,919
Other income	7	**16,601**	17,568
Selling expenses		**(221,248)**	(241,436)
General and administrative expenses		**(65,920)**	(83,432)
Other gains and losses		**29,505**	(21,951)
Change in fair value of derivatives embedded in convertible bonds	22(b)	**8,971**	19,681
Gain on conversion of convertible bonds	22(a)	**–**	14,239
Gain on disposal of subsidiaries	32	**1,692**	–
Reversal of impairment loss on loan receivables and relevant interest receivables recognised under expected credit loss model	16&21	**–**	291
Reversal of impairment loss on trade receivables recognised under expected credit loss model		**97**	6,370
Finance costs	8	**(46,612)**	(81,660)
Loss before taxation	9	**(8,628)**	(92,411)
Income tax expense	11	**(5,349)**	(26,655)
Loss for the year		**(13,977)**	(119,066)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**(40,055)**	12,686
Fair value gain/(loss) of equity instruments at fair value through other comprehensive income ("FVTOCI")		**479**	(1,577)
		(39,576)	11,109
Items that will be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**51,380**	(23,342)
		51,380	(23,342)
Other comprehensive income/(expense) for the year		**11,804**	(12,233)
Total comprehensive expense for the year		**(2,173)**	(131,299)
(Loss)/income for the year attributable to			
Owners of the Company		**(15,112)**	(62,721)
Non-controlling interests		**1,135**	(56,345)
		(13,977)	(119,066)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(14,997)**	(66,660)
Non-controlling interests		**12,824**	(64,639)
		(2,173)	(131,299)
			(Restated)
Loss per ordinary share			
Basic	13	**(HK$0.098)**	(HK$0.490)
Diluted	13	**(HK$0.098)**	(HK$0.551)

The notes on pages 50 to 141 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	NOTES	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**19,706**	29,943
Right-of-use assets	15	**7,794**	24,561
Deposits paid	16	**275**	1,844
Intangible assets	17	**168,066**	169,144
Equity instruments at FVTOCI	18	**–**	2,007
Deferred tax assets	19	**13,585**	7,379
		209,426	234,878
Current assets			
Inventories	20	**674,132**	635,536
Right to returned goods asset		**2,312**	951
Trade and other receivables and deposits paid	16	**79,703**	109,298
Loan receivables	21	**–**	–
Income tax recoverable		**–**	4,490
Pledged bank deposits	23	**766,348**	767,778
Bank balances and cash	23	**96,158**	110,810
		1,618,653	1,628,863
Current liabilities			
Trade and other payables, accruals and deposits received	24	**163,959**	161,206
Bank and other borrowings	29	**1,504,000**	1,535,400
Contract liabilities	25	**20,206**	14,516
Refund liabilities	26	**6,906**	2,834
Lease liabilities	27	**5,205**	20,653
Loan from a non-controlling shareholder of a subsidiary	28	**27,000**	27,000
Derivative component of convertible bonds	22(b)	**3,239**	11,314
Income tax liabilities		**2,155**	1,795
		1,732,670	1,774,718
Net current liabilities		**(114,017)**	(145,855)
Total assets less current liabilities		**95,409**	89,023

Consolidated Statement of Financial Position

As at 30 June 2021

	NOTES	**2021** **HK$'000**	2020 HK$'000
Non-current liabilities			
Convertible bonds	22(a)	**71,917**	59,134
Lease liabilities	27	**3,095**	4,068
Loan from a non-controlling shareholder of a subsidiary	28	**100,000**	100,000
Deferred tax liabilities	19	**42,016**	45,267
		217,028	208,469
NET LIABILITIES		**(121,619)**	(119,446)
Capital and reserves			
Share capital	30	**61,868**	61,868
Reserves		**(128,660)**	(113,663)
Deficit attributable to owners of the Company		**(66,792)**	(51,795)
Non-controlling interest		**(54,827)**	(67,651)
TOTAL DEFICIT		**(121,619)**	(119,446)

The consolidated financial statements on pages 43 to 141 were approved and authorised for issue by the board of directors on 29 September 2021 and are signed on its behalf by:

Li Ning
Director

Dai Wei
Director

The notes on pages 50 to 141 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Attributable to owners of the Company											
	Ordinary share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000 (note (a))	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (note (b))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2019	50,668	777,848	55,327	(256,051)	15,048	(11,892)	6,692	34,733	(678,508)	(6,135)	(3,012)	(9,147)
Loss for the year	–	–	–	–	–	–	–	–	(62,721)	(62,721)	(56,345)	(119,066)
Exchange difference arising on translation	–	–	–	–	–	–	(2,362)	–	–	(2,362)	(8,294)	(10,656)
Fair value loss on equity instruments at FVTOCI	–	–	–	–	–	(1,577)	–	–	–	(1,577)	–	(1,577)
Total comprehensive expense for the year	–	–	–	–	–	(1,577)	(2,362)	–	(62,721)	(66,660)	(64,639)	(131,299)
Transfer between reserves	–	–	–	–	–	–	–	(1,578)	1,578	–	–	–
Issue of shares, net of transaction costs	11,200	9,800	–	–	–	–	–	–	–	21,000	–	21,000
Lapse of share options	–	–	–	–	(10,505)	–	–	–	10,505	–	–	–
At 30 June 2020	61,868	787,648	55,327	(256,051)	4,543	(13,469)	4,330	33,155	(729,146)	(51,795)	(67,651)	(119,446)
At 1 July 2020	**61,868**	**787,648**	**55,327**	**(256,051)**	**4,543**	**(13,469)**	**4,330**	**33,155**	**(729,146)**	**(51,795)**	**(67,651)**	**(119,446)**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,112)**	**(15,112)**	**1,135**	**(13,977)**
Exchange difference arising on translation	**–**	**–**	**–**	**–**	**–**	**–**	**(364)**	**–**	**–**	**(364)**	**11,689**	**11,325**
Fair value gain on equity instruments at FVTOCI	**–**	**–**	**–**	**–**	**–**	**479**	**–**	**–**	**–**	**479**	**–**	**479**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**479**	**(364)**	**–**	**(15,112)**	**(14,997)**	**12,824**	**(2,173)**
Release upon disposal of equity instruments at FVTOCI	**–**	**–**	**–**	**–**	**–**	**6,982**	**–**	**–**	**(6,982)**	**–**	**–**	**–**
Release upon disposals of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(2,592)**	**–**	**2,592**	**–**	**–**	**–**
Release upon deregistration of a subsidiary	**–**	**–**	**–**	**3,643**	**–**	**–**	**–**	**–**	**(3,643)**	**–**	**–**	**–**
Lapse of share options	**–**	**–**	**–**	**–**	**(240)**	**–**	**–**	**–**	**240**	**–**	**–**	**–**
At 30 June 2021	**61,868**	**787,648**	**55,327**	**(252,408)**	**4,303**	**(6,008)**	**1,374**	**33,155**	**(752,051)**	**(66,792)**	**(54,827)**	**(121,619)**

Notes:

a) Other reserve comprises:

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

   ii) a debit amount of HK$3,643,000 as at 30 June 2020 represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Rise Rich International Limited ("Rise Rich"), a subsidiary of the Company, being acquired from the non-controlling shareholders on 31 December 2013 and was subsequently released to accumulated losses upon the deregistration of Rise Rich during the year ended 30 June 2021; and

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

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

The notes on pages 50 to 141 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Loss before taxation	**(8,628)**	(92,411)
Adjustments for:		
Allowance/(reversal of allowance) of inventories, net	**619**	(483)
Bank interest income	**(3,626)**	(6,840)
Change in fair value of derivatives embedded in convertible bonds	**(8,971)**	(19,681)
COVID-19-related rent concessions received	**(2,514)**	(5,121)
Depreciation of property, plant and equipment	**14,699**	21,111
Depreciation of right-of-use assets	**21,727**	30,621
Finance costs	**46,612**	81,660
Gain on conversion of convertible bonds	**–**	(14,239)
Gain on disposal of subsidiaries (note 32)	**(1,692)**	–
Gain on modification of lease	**(87)**	(42)
Interest income from rental deposits	**(435)**	(584)
Reversal of impairment loss on loan receivables and relevant interest receivables recognised under expected credit loss model	**–**	(291)
Reversal of impairment loss on trade receivables recognised under expected credit loss model	**(97)**	(6,370)
Loss on disposal of property, plant and equipment	**3,531**	1,728
Unrealised exchange (gain)/loss, net	**(35,612)**	20,223
Written off of property, plant and equipment	**546**	–
Operating cash flows before movements in working capital	**26,072**	9,281
Decrease in inventories	**3,256**	200,309
Decrease in trade and other receivables and deposits paid	**1,817**	63,546
(Increase)/decrease in right to returned goods asset	**(1,283)**	1,903
Increase/(decrease) in refund liabilities	**3,823**	(1,791)
Increase/(decrease) in contract liabilities	**11,412**	(7,857)
Decrease in trade and other payables, accruals and deposits received	**(9,488)**	(52,060)
Cash generated from operations	**35,609**	213,331
Income taxes paid	**(9,699)**	(19,655)
Net cash generated from operating activities	**25,910**	193,676

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	2021 HK$'000	2020 HK$'000
Investing activities		
Interest received	**4,138**	7,111
Proceeds from disposal of equity instruments at FVTOCI	**2,486**	–
Purchase of property, plant and equipment	**(7,746)**	(8,590)
Proceeds from disposal of property, plant and equipment	**1,139**	6,243
Net proceeds from disposal of subsidiaries (note 32)	**3,643**	–
Placement of pledged bank deposits	**(2,169)**	(11,933)
Withdrawal of pledged bank deposits	**12,000**	182,000
Net cash generated from investing activities	**13,491**	174,831
Financing activities		
Interest paid	**(35,339)**	(72,383)
Proceeds from issue of convertible bonds	**–**	121,950
New bank and other borrowings raised	**28,150**	20,000
Repayments of bank and other borrowings	**(31,400)**	(396,492)
Advance from a director	**–**	59,000
Repayment to a director	**–**	(59,000)
Repayment of lease liabilities, including related interests	**(19,965)**	(27,294)
New loan raised from a non-controlling shareholder of a subsidiary	**27,000**	–
Repayment of loan from a non-controlling shareholder of a subsidiary	**(27,000)**	(30,080)
Net cash used in financing activities	**(58,554)**	(384,299)
Net decrease in cash and cash equivalents	**(19,153)**	(15,792)
Cash and cash equivalents at beginning of the year	**110,810**	132,755
Effect of foreign exchange rate changes	**4,501**	(6,153)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**96,158**	110,810

The notes on pages 50 to 141 form an integral part of these financial statements.

1. GENERAL

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

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

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

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

2. GOING CONCERN BASIS

The Group incurred a net loss of approximately HK$13,977,000 during the year ended 30 June 2021 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$114,017,000 and HK$121,619,000 respectively, indicating the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 June 2021 after taking into consideration of the following:

i) On 31 May 2021, the Company and a company incorporated in the British Virgin Islands (the "BVI") which is wholly owned by Mr. Wang Chaoguang, the Co-chairman and an executive director of the Company (the "First Subscriber"), entered into a subscription agreement (the "First Subscription Agreement"), pursuant to which the First Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to (i) allot and issue the subscription shares (the "First Subscription Shares"), being 65,000,000 new shares after the effect of the capital reorganisation (the "New Shares"), at the subscription price of HK0.5 per share as adjusted for the effect of the capital reorganisation, whereas the details of the capital reorganisation are mentioned in note 42 to the consolidated financial statements; and (ii) issue the convertible bonds in the principal amount of HK$52,000,000 which may be converted into 80,000,000 New Shares at the initial conversion price of HK$0.65 per share as adjusted for the effect of the capital reorganisation.

   On the same date, the Company and a company incorporated in BVI which is an independent third party to the Group (the "Second Subscriber"), entered into a subscription agreement (the "Second Subscription Agreement"), pursuant to which the Second Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to (i) allot and issue the subscription shares (the "Second Subscription Shares"), being 50,000,000 New Shares, at the subscription price of HK$0.5 per share as adjusted for the effect of the capital reorganisation; and (ii) issue the convertible bonds in the principal amount of HK$32,500,000 which may be converted into 50,000,000 New Shares at the initial conversion price of HK$0.65 per share as adjusted for the effect of the capital reorganisation.

2. GOING CONCERN BASIS *(Continued)*

i) (Continued)

The directors of the Company estimated that the gross proceeds from the above events will be approximately HK$142,000,000, of which (i) approximately HK$57,500,000 will be from the First Subscription Shares and the Second Subscription Shares; and (ii) HK$84,500,000 will be from the subscription of convertible bonds by the First Subscriber and the Second Subscriber. After deducting the estimated expenses of approximately HK$1,000,000, the net proceeds from the abovementioned events will be approximately HK$141,000,000.

Further on 31 August 2021, the Company was informed by the First Subscriber and the Second Subscriber, that they are in the course of setting up bank accounts for the payment of the abovementioned subscriptions. Since additional time is required for the First Subscriber and the Second Subscriber to fulfill the conditions as set out in the First Subscription Agreement and the Second Subscription Agreement, the Company, the First Subscriber and the Second Subscriber agreed to extend the long stop date of the abovementioned subscriptions to 29 October 2021.

The directors of the Company assessed all the information available and considered that the abovementioned subscriptions will be completed on or before 29 October 2021.

ii) As at 30 June 2021, the Group had an outstanding loan of HK$27,000,000 payable to Luk Fook 3D Management Company Limited ("Luk Fook 3D"), a non-controlling shareholder of a subsidiary, which was unsecured, interest bearing of 18% per annum and repayable on 22 July 2021. In July 2021, the Group repaid a sum of approximately HK$18,464,000 to Luk Fook 3D, which included outstanding interest payables of approximately HK$4,964,000 and partial loan principal of HK$13,500,000. Subsequent to 30 June 2021, the Group successfully reached an agreement with Luk Fook 3D to extend the repayment date of the remaining loan principal amount of HK$13,500,000 to 22 November 2021. The associated loan interests shall be repaid on respective pre-agreed dates.

iii) Internal funds shall be generated from the Group's operations and external financing will be available to the Group.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs that have been issued but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after 1 April 2021.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

– Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its return.

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

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

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's interests in existing subsidiaries

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

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 July 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

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

Business combination

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combination *(Continued)*

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

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

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

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

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

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

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combination *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Revenue from contracts with customers

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

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

Except for granting of a license that is distinct from promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

For granting of a license that is distinct from other promised goods or services, the nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

– the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;

– the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and

– those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a license as a performance obligation satisfied over time. Otherwise, the Group considers the grant of license as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time which the license is granted.

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

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

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

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

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

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

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

Output method

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

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Variable consideration

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

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

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

Refund liabilities

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

Sale with a right of return/exchange

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

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

b) a refund liability/contract liability; and

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

Principal versus agent

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of 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.

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

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

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

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

– the change in the lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

COVID-19-related rent concessions (Continued)

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets acquired separately

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets

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

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash generating unit or group of cash-generating units.

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

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Inventories

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Foreign currencies

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

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

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

Any specific borrowing that remains 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. 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.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Share options granted to consultants

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Retirement benefit costs and termination benefits

Payments to the PRC government retirement benefit scheme, pursuant to the relevant labour rules and regulations in the PRC, the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong and defined contribution retirement benefit plan in Macau are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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 "*Income Taxes*" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 to the same taxable entity by the same taxation authority.

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

Financial instruments

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

i) Amortised cost and interest income

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

ii) Equity instruments designated as at FVTOCI

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables.

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

i) Significant increase in credit risk

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

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

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

i) Significant increase in credit risk *(Continued)*

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

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrecoverable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

ii) Definition of default

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

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

iii) 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:

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

iv) Write-off policy

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

v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provisional matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

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

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments drawn down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for certain trade receivables/contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

v) Measurement and recognition of ECL *(Continued)*

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

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

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

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

Derecognition of financial assets

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank and other borrowings, convertible bonds and loans from a non-controlling shareholder of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

– the amount of the loss allowance determined in accordance with HKFRS 9; and

– the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Convertible bonds contain debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Derecognition/modification of financial liabilities

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

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Going concern

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the basis as set out in note 2 to the consolidated financial statements.

Control over CGS

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

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

Key sources of estimation uncertainty

Valuation of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In estimating the amount of allowance of inventories, it is the Group's policy to review the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of inventory allowance. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration. The Group carries out an inventory review at the end of the reporting period and makes allowance when the subsequent estimated net realisable value of inventories is less than the original estimate. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to adverse economic conditions. As at 30 June 2021, the carrying amount of the Group's inventories is HK$674,132,000 (2020: HK$635,536,000).

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

Key sources of estimation uncertainty *(Continued)*

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimation of current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are 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 are different from the amounts that were initially recorded, such difference will impact the current and deferred income tax provisions in the period in which such determinations are made. As at 30 June 2021, the carrying amount of income tax liabilities is approximately HK$2,155,000 (2020: HK$1,795,000), deferred tax liabilities is approximately HK$42,016,000 (2020: HK$45,267,000) and deferred tax assets is approximately HK$13,585,000 (2020: HK$7,379,000).

Fair value of derivative financial instruments

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative component of convertible bonds, assumptions are made based on quoted market rates adjusted for specific features of the instrument. As at 30 June 2021, the carrying amount of derivative component of convertible bonds recognised as current liabilities of HK$3,239,000 (2020: HK$11,314,000).

Impairment assessment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of these intangible assets. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period, in which the key assumptions include the discount rate, short-term and long-term growth rate, taking into account the economic outlook, the Group's past sales experience and industry growth forecasts to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2021, the carrying amount of the Group's intangible assets is HK$168,066,000 (2020: HK$169,144,000).

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 38 and 16 to the consolidated financial statements, respectively.

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

Key sources of estimation uncertainty *(Continued)*

Provision of ECL for loan receivables

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

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

6. REVENUE AND SEGMENT INFORMATION

a) Revenue

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

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China		Retail sales operations for selling gold and jewellery products in Hong Kong and Macau		Wholesales and sub-contracting operations for gold and jewellery products in Mainland China		Others		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Retail sales of goods	**692,170**	529,228	**91,060**	213,248	**–**	–	**–**	–	**783,230**	742,476
Franchising and licensing income	**56,239**	53,648	**–**	–	**–**	–	**–**	–	**56,239**	53,648
Trading of computer products	**–**	–	**–**	–	**–**	–	**16,351**	8,739	**16,351**	8,739
Goods and services	**748,409**	582,876	**91,060**	213,248	**–**	–	**16,351**	8,739	**855,820**	804,863

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

a) Revenue *(Continued)*

Disaggregation of revenue for the year ended 30 June 2021

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail sales operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Total HK$'000
Geographical markets					
– Mainland China	**748,409**	**–**	**–**	**16,351**	**764,760**
– Hong Kong and Macau	**–**	**91,060**	**–**	**–**	**91,060**
	748,409	**91,060**	**–**	**16,351**	**855,820**
Timing of revenue recognition					
– A point in time	**692,170**	**91,060**	**–**	**16,351**	**799,581**
– Over time	**56,239**	**–**	**–**	**–**	**56,239**
	748,409	**91,060**	**–**	**16,351**	**855,820**

Disaggregation of revenue for the year ended 30 June 2020

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail sales operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Total HK$'000
Geographical markets					
– Mainland China	582,876	–	–	8,739	591,615
– Hong Kong and Macau	–	213,248	–	–	213,248
	582,876	213,248	–	8,739	804,863
Timing of revenue recognition					
– A point in time	529,228	213,248	–	8,739	751,215
– Over time	53,648	–	–	–	53,648
	582,876	213,248	–	8,739	804,863

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

a) Revenue *(Continued)*

Performance obligations for contracts with customers

Retail sales

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

Wholesales

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

Franchising and licensing operations

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

b) Segment information

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

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

i) Retail sales and franchising operations for gold and jewellery products in Mainland China;

ii) Retail sales operations for gold and jewellery products in Hong Kong and Macau; and

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

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

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

Segment revenues and results

For the year ended 30 June 2021

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
REVENUE						
External sales	748,409	91,060	–	839,469	16,351	855,820
RESULT						
Segment profit/(loss)	61,998	(15,483)	–	46,515	(1,019)	45,496
Unallocated other income						6,225
Unallocated corporate staff and directors' salaries						(25,412)
Other unallocated corporate expenses						(17,627)
Advertising, promotion and business development expenses						(18,153)
Gain on disposal of subsidiaries						1,692
Change in fair value of derivatives embedded in convertible bonds						8,971
Exchange gain, net						35,612
Unallocated finance costs						(45,432)
Loss before taxation						(8,628)
Income tax expense						(5,349)
Loss for the year						(13,977)

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 30 June 2020

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
REVENUE						
External sales	582,876	213,248	–	796,124	8,739	804,863
RESULT						
Segment profit/(loss)	60,141	(24,366)	1,736	37,511	(829)	36,682
Unallocated other income						9,874
Unallocated corporate staff and directors' salaries						(29,788)
Other unallocated corporate expenses						(21,047)
Advertising, promotion and business development expenses						(22,926)
Gain on conversion of convertible bonds						14,239
Change in fair value of derivatives embedded in convertible bonds						19,681
Exchange loss, net						(20,223)
Unallocated finance costs						(78,903)
Loss before taxation						(92,411)
Income tax expense						(26,655)
Loss for the year						(119,066)

Note: Others represent other operating segment that is not reportable, which includes money lending business and computer products trading business.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

Segment profit/(loss) represents the profit/(loss) of each segment without allocation of unallocated other income, advertising, promotion and business development expenses, unallocated corporate staff and directors' salaries, gain on disposal of subsidiaries, change in fair value of derivatives embedded in convertible bonds, gain on conversion of convertible bonds, exchange gain/(loss), other unallocated corporate expenses, unallocated finance costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As at 30 June 2021

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	625,422	156,705	–	782,127	–	782,127
Intangible assets						168,066
Equity instruments at FVTOCI						–
Deferred tax assets						13,585
Pledged bank deposits						766,348
Bank balances and cash						96,158
Other corporate assets						1,795
Consolidated assets						1,828,079
LIABILITIES						
Segment liabilities	164,275	9,113	–	173,388	–	173,388
Bank and other borrowings						1,504,000
Loans from a non-controlling shareholder of a subsidiary						127,000
Convertible bonds						71,917
Derivative component of convertible bonds						3,239
Income tax liabilities						2,155
Deferred tax liabilities						42,016
Other corporate liabilities						25,983
Consolidated liabilities						1,949,698

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

As at 30 June 2020

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	542,407	224,361	2,959	769,727	26,512	796,239
Intangible assets						169,144
Equity instruments at FVTOCI						2,007
Deferred tax assets						7,379
Pledged bank deposits						767,778
Bank balances and cash						110,810
Other corporate assets						10,384
Consolidated assets						1,863,741
LIABILITIES						
Segment liabilities	147,417	26,378	2,188	175,983	20	176,003
Bank and other borrowings						1,535,400
Loans from a non-controlling shareholder of a subsidiary						127,000
Convertible bonds						59,134
Derivative component of convertible bonds						11,314
Income tax liabilities						1,795
Deferred tax liabilities						45,267
Other corporate liabilities						27,274
Consolidated liabilities						1,983,187

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to reportable segments other than intangible assets, equity instruments at FVTOCI, deferred tax assets, pledged bank deposits, bank balances and cash, and other corporate assets; and

- all liabilities are allocated to reportable segments other than bank and other borrowings, loans from a non-controlling shareholder of a subsidiary, income tax liabilities, convertible bonds, derivative component of convertible bonds, deferred tax liabilities and other corporate liabilities.

Other entity-wide segment information

For the year ended 30 June 2021

	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment result or segment assets:						
Additions of property, plant and equipment	7,228	394	–	11	113	7,746
Additions of right-of-use assets	6,349	258	–	–	–	6,607
Depreciation of property, plant and equipment	12,475	2,041	–	3	180	14,699
Depreciation of right-of-use assets	7,338	14,183	–	–	206	21,727
(Gain)/loss on disposal of property, plant and equipment	(246)	3,777	–	–	–	3,531

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Other entity-wide segment information *(Continued)*

For the year ended 30 June 2020

	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment result or segment assets:						
Additions of property, plant and equipment	7,983	176	–	–	431	8,590
Additions of right-of-use assets	3,014	–	–	–	–	3,014
Depreciation of property, plant and equipment	15,709	4,774	58	–	570	21,111
Depreciation of right-of-use assets	5,960	22,120	–	–	2,541	30,621
Loss/(gain) on disposal of property, plant and equipment	3	1,760	(37)	–	2	1,728

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Geographical information

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

For the year ended 30 June 2021

	Non-current assets HK$'000	**Revenue from external customers HK$'000**
Mainland China	**22,843**	**764,760**
Hong Kong and Macau	**4,657**	**91,060**
	27,500	**855,820**

For the year ended 30 June 2020

	Non-current assets HK$'000	Revenue from external customers HK$'000
Mainland China	29,398	591,615
Hong Kong and Macau	25,106	213,248
	54,504	804,863

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

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income from bank deposits	**3,626**	6,840
COVID-19-related rent concessions received	**2,514**	5,121
Government grants (note)	**6,312**	1,947
Interest income from rental deposits	**435**	584
Gain on modification of lease	**87**	42
Sundry income	**3,627**	3,034
	16,601	17,568

Note: Government grants mainly represent subsidies received in connection with the support from the Anti-epidemic Fund of the Government of Hong Kong Special Administrative Region. There are no unfulfilled conditions or contingencies relating to these subsidies.

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interests on:		
Bank and other borrowings	**30,486**	68,745
Loans from a non-controlling shareholder of a subsidiary	**4,709**	3,550
Lease liabilities	**1,241**	3,027
Effective interest on convertible bonds (note 22(a))	**10,176**	6,338
Total interest expense on financial liabilities not at fair value through profit or loss	**46,612**	81,660

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	2021 HK$'000	2020 HK$'000
Auditor's remuneration	**2,150**	1,950
Cost of inventories recognised as an expense	**586,915**	527,427
Depreciation of property, plant and equipment	**14,699**	21,111
Depreciation of right-of-use assets	**21,727**	30,621
Exchange (gain)/loss, net	**(35,612)**	20,223
Loss on disposal of property, plant and equipment, net	**3,531**	1,728
Wriffen-off of property, plant and equipment	**546**	–
Lease payments not included in the measurement of lease liabilities	**56,797**	54,148
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefit costs	**126,294**	133,601
– Retirement benefit costs	**4,462**	5,835
	130,756	139,436
Allowance/(reversal of allowance) of inventories, net (included in cost of sales)	**619**	(483)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a) Directors' emoluments

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

		For the year ended 30 June 2021			
Name of director	Notes	**Fees HK$'000**	**Salaries, allowances, and benefits in kind HK$'000**	**Retirement benefit costs HK$'000**	**Total HK$'000**
Executive directors					
Ms. Dai Wei		**–**	**1,320**	**18**	**1,338**
Mr. Li Ning		**–**	**1,440**	**18**	**1,458**
Mr. Wang Chaoguang	(c)	**–**	**240**	**–**	**240**
Mr. Hu, Hongwei	(b)	**–**	**101**	**2**	**103**
Non-executive director					
Mr. Hu, Hongwei	(b)	**670**	**–**	**16**	**686**
Independent non-executive directors					
Mr. Fan Anthony Ren Da		**360**	**–**	**–**	**360**
Dr. Loke, Yu Hoi Lam		**360**	**–**	**–**	**360**
Mr. Chan Kim Sun	(d)	**109**	**–**	**–**	**109**
Mr. Xu Xiaoping	(e)	**123**	**–**	**–**	**123**
		1,622	**3,101**	**54**	**4,777**

		For the year ended 30 June 2020			
Name of director	Notes	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors					
Ms. Dai Wei		–	710	18	728
Mr. Li Ning		–	1,440	–	1,440
Mr. Hu, Hongwei	(b)	23	1,297	18	1,338
Non-executive director					
Mr. Xu Zhigang	(a)	–	400	6	406
Independent non-executive directors					
Mr. Fan Anthony Ren Da		360	30	–	390
Dr. Loke, Yu Hoi Lam		340	30	–	370
Mr. Xu Xiaoping		300	25	–	325
		1,023	3,932	42	4,997

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

a) Directors' emoluments *(Continued)*

Notes:

a) Re-designated as non-executive director on 4 October 2019 and resigned on 7 January 2020.

b) Re-designated as non-executive director on 27 July 2020.

c) Appointed on 1 April 2021.

d) Appointed on 19 February 2021.

e) Retired on 27 November 2020.

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

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

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

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

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

b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors of the Company whose emoluments are included in note 10(a) above.

The emoluments of the remaining three (2020: three) individuals are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries	**6,430**	6,022
Bonuses	**536**	581
Retirement benefit costs	**54**	54
	7,020	6,657

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

b) Five highest paid employees *(Continued)*

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

	2021 Number of employees	2020 Number of employees
Emolument bands		
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**1**	1
	3	3

11. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax:		
PRC Enterprise Income Tax	**14,200**	2,268
PRC Withholding Tax	**606**	16,658
	14,806	18,926
Deferred taxation (note 19)	**(9,457)**	7,729
	5,349	26,655

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

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

Pursuant to rules and regulations of Bermuda and the BVI, the Group is not subject to any income tax in Bermuda and the BVI.

11. INCOME TAX EXPENSE *(Continued)*

Pursuant to the Enterprise Income Tax Law and Implementation Rules of the PRC, subsidiaries of the Company established in the PRC are subject to an income tax rate of 25% for both years. Certain subsidiaries established in Chongqing (the "Relevant Subsidiaries"), a municipality in Western China, were engaged in a specific state-encouraged industry as defined under the new "Catalogue of Encouraged Industries in the Western Region" (effective from 1 October 2014) pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) issued in 2011 and were subject to a preferential tax rate of 15% when the annual revenue from the encouraged business exceeded 70% of each subsidiary's total revenue in a fiscal year. Pursuant to《關於延續西部大開發企業所得稅政策的公告》(Announcement No. 23 of the Ministry of Finance in 2020) issued in April 2020, the Relevant Subsidiaries were subject to a preferential tax rate of 15% from 1 January 2021 to 31 December 2030, when the annual revenue from the encouraged business exceeded 60% of each subsidiary's total revenue in a fiscal year.

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

PRC withholding income tax of 10% (or 5% to certain subsidiaries of the Company) shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008.

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

	2021 **HK$'000**	2020 HK$'000
Loss before taxation	**(8,628)**	(92,411)
Notional tax on loss before tax, calculated at rates applicable in the jurisdictions concerned (Note)	**(4,473)**	(15,605)
Tax effect of income not taxable for tax purpose	**(11,315)**	(5,912)
Tax effect of expenses not deductible for tax purpose	**6,380**	9,849
Tax effect of tax losses not recognised	**14,165**	20,349
PRC withholding tax	**606**	16,658
Others	**(14)**	1,316
Income tax expense for the year	**5,349**	26,655

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

12. DIVIDENDS

No dividend was paid or proposed for both years ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER ORDINARY SHARE

	2021	2020
	HK$'000	HK$'000
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic loss per ordinary share	**(15,112)**	(62,721)
Effect of dilutive potential ordinary shares		
– Effective interest on convertible bonds due in 2023 ("CB 2023")	**N/A**	6,338
– Change in fair value of derivatives embedded in CB 2023	**N/A**	(19,681)
– Gain on conversion of CB 2023	**–**	(14,239)
Loss for the year attributable to owners of the Company for the purpose of diluted loss per ordinary share (Note (ii))	**(15,112)**	(90,303)

	2021	2020
	'000	'000
		(Restated)
Number of shares (Note (i))		
Weighted average number of ordinary shares for the purpose of basic loss per ordinary share	**154,672**	127,896
Effect of dilutive potential ordinary shares		
– CB 2023	**N/A**	35,872
Weighted average number of ordinary shares for the purpose of diluted loss per ordinary share (Notes (ii) & (iii))	**154,672**	163,768

Notes:

i) The weighted average number of ordinary shares for the year ended 30 June 2020 had been adjusted for the effect of share consolidation completed on 27 July 2021. Details of share consolidation are set out in note 42 to the consolidated financial statements.

ii) The calculation of diluted loss per ordinary share for the year ended 30 June 2021 did not assume the conversion of CB 2023, since the conversion would result in an anti-dilutive effect on loss per share.

iii) For the years ended 30 June 2021 and 2020, the computation of diluted loss per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price.

14. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
As at 1 July 2019	6,183	90,822	55,884	2,568	155,457
Exchange realignment	(246)	(2,856)	(1,101)	–	(4,203)
Additions	–	6,206	2,384	–	8,590
Disposals	(5,937)	(32,761)	(8,732)	(987)	(48,417)
As at 30 June 2020 and 1 July 2020	**–**	**61,411**	**48,435**	**1,581**	**111,427**
Exchange realignment	**–**	**6,245**	**3,812**	**–**	**10,057**
Additions	**–**	**5,441**	**2,305**	**–**	**7,746**
Disposals of subsidiaries (note 32)	**–**	**–**	**(11)**	**–**	**(11)**
Disposals	**–**	**–**	**(5,127)**	**(1,487)**	**(6,614)**
Written off	**–**	**(66)**	**(626)**	**–**	**(692)**
Reclassification	**–**	**6,801**	**(7,857)**	**1,056**	**–**
As at 30 June 2021	**–**	**79,832**	**40,931**	**1,150**	**121,913**
Accumulated depreciation and impairment					
As at 1 July 2019	1,368	60,889	39,464	1,930	103,651
Exchange realignment	(55)	(1,996)	(781)	–	(2,832)
Provided for the year	–	15,987	4,968	156	21,111
Eliminated upon disposals	(1,313)	(30,915)	(7,233)	(985)	(40,446)
As at 30 June 2020 and 1 July 2020	**–**	**43,965**	**36,418**	**1,101**	**81,484**
Exchange realignment	**–**	**4,884**	**3,233**	**–**	**8,117**
Provided for the year	**–**	**11,324**	**3,186**	**189**	**14,699**
Eliminated upon disposals of subsidiaries (note 32)	**–**	**–**	**(3)**	**–**	**(3)**
Eliminated upon disposals	**–**	**–**	**(496)**	**(1,448)**	**(1,944)**
Eliminated upon written off	**–**	**(13)**	**(133)**	**–**	**(146)**
Reclassification	**–**	**7,815**	**(8,477)**	**662**	**–**
As at 30 June 2021	**–**	**67,975**	**33,728**	**504**	**102,207**
Carrying values					
As at 30 June 2021	**–**	**11,857**	**7,203**	**646**	**19,706**
As at 30 June 2020	–	17,446	12,017	480	29,943

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

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

15. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 30 June 2021	
Carrying value	**7,794**
As at 30 June 2020	
Carrying value	24,561
For the year ended 30 June 2021	
Depreciation charge	**21,727**
For the year ended 30 June 2020	
Depreciation charge	30,621

The analysis of expenses items in relation to lease recognised in profit or loss is as follows:

	2021 **HK$'000**	2020 HK$'000
Expenses relating to short-term leases	**4,142**	16,344
Expenses relating to leases of low-value of assets, excluding short-term leases of low-value assets	**45**	66
Variable lease payments not included in the measurement of lease liabilities	**52,610**	37,738
Total cash outflow for leases (note)	**(76,762)**	(81,442)
Addition to right-of-use assets	**6,607**	3,014

Note: Amount includes payments of principal and interest portion of lease liabilities, short-term leases and payments of lease payments on or before lease commencement date. These amounts was presented in operating or financing cash flows.

Variable lease payments

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on 1% to 29% (2020: 1% to 25%) of sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in retail stores in Hong Kong, Macau and the PRC where the Group operates. The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

For both years, the Group leases retail shops and office for its operations. Lease contracts are entered into for fixed term of 0.50 to 3.00 years (2020: 0.25 to 3.08 years), but certain leases contain extension options as described below. 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.

The Group has extension options for certain leases in Mainland China and Hong Kong. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assess at lease commencement date whether it is reasonably certain to exercise the extension options. As at 30 June 2021, the potential exposures to these future lease payments for extension options which the Group is not reasonably certain to exercise is HK$Nil (2020: HK$18,000,000).

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the years ended 30 June 2021 and 2020, there is no such triggering event.

16. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2021 HK$'000	2020 HK$'000
Deposits paid under non-current assets represent:		
Rental deposits	**275**	1,844
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**49,637**	36,443
Less: allowance for credit loss (note)	**–**	(89)
	49,637	36,354
Rental deposits	**7,601**	12,775
Value-added tax receivables	**9,306**	20,773
Prepayment	**8,338**	34,499
Loan interest receivables, net of allowance for credit loss (note 21)	**–**	–
Other receivables and deposits paid	**4,821**	4,897
	79,703	109,298

Note: During the year ended 30 June 2021, trade receivables of HK$36,443,000 (2020: HK$89,835,000) at the beginning of the reporting period have been settled by the customers. Accordingly, impairment loss on trade receivables recognised under expected credit loss model of HK$97,000 (2020: HK$6,370,000) have been reversed and recognised in profit or loss.

As at 30 June 2021, trade receivables from contracts with customers amounted to HK$49,637,000 (2020: HK$36,354,000).

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period up to 90 days (2020: up to 90 days) to its debtors.

Included in trade receivables as at 30 June 2021 is amount related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$Nil (2020: HK$2,777,000).

Included in rental deposits and other receivables and deposits paid as at 30 June 2021 are amounts related to fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$1,489,000 (2020: HK$825,000).

As at 30 June 2020, the loan interest receivables were arising from money lending business with gross carrying amount of HK$11,267,000 and full impairment loss provided. Details of impairment assessment of loan interest receivables for the year ended 30 June 2020 are set out in note 38 to the consolidated financial statements. During the year ended 30 June 2021, the aforesaid loan interest receivables were disposed upon disposal of subsidiaries. Details of disposal of subsidiaries are set out in note 32 to the consolidated financial statements.

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

	2021 HK$'000	2020 HK$'000
0-30 days	**43,199**	34,891
31-60 days	**3,741**	1,244
61-90 days	**456**	15
Over 90 days	**2,241**	204
	49,637	36,354

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

At the end of the reporting period, the analysis of trade receivables that were past due but not impaired, bases on past due date, are as follows:

	2021 HK$'000	2020 HK$'000
Neither past due nor impaired	**43,199**	34,891
Past due but not impaired:		
1-30 days	**3,741**	1,244
31-60 days	**456**	15
61-90 days	**349**	204
Over 90 days	**1,892**	–
	49,637	36,354

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$6,438,000 (2020: HK$1,463,000) which are past due as at the reporting date. Out of the past due balances, HK$1,892,000 (2020: HK$Nil) has been past due 90 days or more and is not considered as in default because of the good repayment records of those customers and continuous business relationship with the Group. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the years ended 30 June 2021 and 2020 are set out in note 38 to the consolidated financial statements.

17. INTANGIBLE ASSETS

	2021 HK$'000	2020 HK$'000
Trademarks (Note)	**168,066**	168,066
License	**–**	1,078
	168,066	169,144

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

The license with carrying amount of HK$1,078,000 was disposed through the disposal of subsidiaries. Further details of the disposal of subsidiaries are disclosed in note 32 to the consolidated financial statements.

On 30 June 2021, management of the Group conducted impairment review on the trademarks. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period and a pre-tax discount rate of 10.6% (2020: 10.7%). Pre-tax discount rate applied reflects the current market assessment of the time value of money and the risk specific to the cash generating unit. The cash flows beyond the ten-year period are extrapolated using a 3% (2020: 3%) growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. The growth rate does not exceed the long-term average growth rate for the relevant industry. Based on the assessments, management of the Group expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks.

18. EQUITY INSTRUMENTS AT FVTOCI

	Notes	2021 HK$'000	2020 HK$'000
Quoted equity investment			
– Equity instruments at FVTOCI	(a)	–	2,007
Unquoted equity investments			
– Equity instruments at FVTOCI	(b)	–	–

Notes:

a) As at 30 June 2020, the quoted equity investment was stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment was held for strategic purpose. During the year ended 30 June 2021, all the quoted equity investment was disposed of at a consideration of approximately HK$2,486,000 as the investment no longer meets the investment objective of the Group. The debit balance of investment revaluation reserve of approximately HK$6,982,000 was transferred to accumulated losses.

b) The unquoted equity investments represented equity investments in private limited companies stated at their fair values, determined with reference to underlying assets and take into consideration of discount for lack of marketability and minority discount.

19. DEFERRED TAXATION

	2021 HK$'000	2020 HK$'000
Deferred tax assets	(13,585)	(7,379)
Deferred tax liabilities	42,016	45,267
	28,431	37,888

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

	Fair value adjustment on intangible assets HK$'000 (Note)	Provision on trade and other receivables HK$'000	Provision on staff benefits in the PRC HK$'000	Provision on inventories HK$'000	Unused tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 July 2019	42,016	(337)	(4,426)	(2,010)	(1,409)	(3,675)	30,159
Charge/(credit) to profit or loss (note 11)	–	334	507	782	(820)	6,926	7,729
As at 30 June 2020 and 1 July 2020	42,016	(3)	(3,919)	(1,228)	(2,229)	3,251	37,888
Charge/(credit) to profit or loss (note 11)	–	3	(241)	205	(4,448)	(4,976)	(9,457)
As at 30 June 2021	42,016	–	(4,160)	(1,023)	(6,677)	(1,725)	28,431

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

19. DEFERRED TAXATION *(Continued)*

As at 30 June 2021, the Group has unused tax losses of HK$1,049,792,000 (2020: HK$1,064,467,000) available to offset against future profits. Deferred tax asset has been recognised in respect of HK$26,709,000 (2020: HK$8,916,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,023,083,000 (2020: HK$1,055,551,000) due to the unpredictability of future profit streams.

As at 30 June 2021, the Group had unused tax losses amounting to HK$39,068,000 (2020: HK$49,733,000) and HK$63,361,000 (2020:HK$74,582,000) that will expire by 2024 (2020: 2023) and 2026 (2020: 2025) respectively and HK$947,363,000 (2020: 940,152,000) that will be carried forward indefinitely.

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$82,881,000 (2020: HK$38,571,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

20. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Raw materials	**62,923**	33,585
Finished goods	**611,209**	601,951
	674,132	635,536

Inventories are measured at the lower of cost and net realisable value. The Group has recognised net changes of allowance of HK$619,000 (2020: reversal of allowance of HK$483,000) and included in "cost of sales".

21. LOAN RECEIVABLES

	2021 HK$'000	2020 HK$'000
Fixed-rate loan receivables		
– Secured	–	10,000
– Unsecured	–	64,400
Less: allowance for credit loss	–	(74,400)
	–	–

As at 30 June 2020, the Group held collateral of entire equity interest of a private limited company for secured loan receivables at principal amount of HK$10,000,000. Loan receivables at principal amount of HK$12,000,000 were unsecured and guaranteed by respective sole shareholder of the borrowers, while the remaining loan receivables were unsecured and unguaranteed. Included in the unsecured loan receivables as at 30 June 2020 are loans advanced to a substantial shareholder at principal amount of HK$2,900,000.

Secured loan receivable carried fixed-rate interests at 21% per annum and with maturity of 1 year. Unsecured loan receivables carried fixed-rate interests ranging from 15% to 22% per annum and with maturity ranging from 6 months to 1 year. All amounts of principal would be receivable on respective maturity dates.

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

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

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

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

21. LOAN RECEIVABLES *(Continued)*

Regarding the loan receivables of HK$74,400,000 and the respective interest receivables of HK$11,558,000 as at 30 June 2019, the Predecessor Auditor expressed a qualified opinion due to various limitations in evidence available to it. Details of the basis for qualified opinion raised by the Predecessor Auditor are disclosed in the Predecessor Auditor's report dated 11 March 2020 as included in the Group's 2019 annual report.

Given the above circumstances, the Group has issued either writs of summons or statutory demand to those borrowers who were default in payment. In view of the uncertainty in recoverability, the Group recognised impairment losses on all the loan receivables and related interest receivables to reflect the expected credit losses during the year ended 30 June 2019. The Group was taking legal proceedings to recover the loans and the respective loan interests from those borrowers during the year ended 30 June 2020.

During the year ended 30 June 2020, the Group recovered interest receivables of approximately HK$291,000 from a borrower and accordingly, a reversal of impairment loss on interest receivables of approximately HK$291,000 were recognised in profit or loss.

As at 30 June 2020, included in the Group's loan receivables balance were debtors with aggregate carrying amounts of HK$74,400,000 which were past due as at the reporting date, of which HK$74,400,000 had been past due 90 days or more. The Group had issued either writs of summons or statutory demand demanding the debtors for repayment of loans and the interests accrued thereon. Based on the abovementioned circumstances, the Group had provided impairment loss on all the loan receivables and related interest receivables. Details of impairment assessment for the year ended 30 June 2020 are set out in note 38 to the consolidated financial statements.

The directors of the Company are of the view that the chance of recovering the loan receivables and the respective interest receivables would be remote, and such recovering actions would be time consuming and the Group may have to incur additional costs. This would put the Group under greater risk and financial pressure, which is not in the interest of the Group and shareholders as a whole. As a result, the Group disposed of entire equity interest of Prosten Wealth Investment Limited, the immediate holding company of Prosten Finance Limited, to Mr. Li Ning, a co-chairman and an executive director of the Company, at a consideration of HK$1,458,000 during the year ended 30 June 2021. Details of disposal of subsidiaries are set out in note 32 to the consolidated financial statements.

21. LOAN RECEIVABLES *(Continued)*

Details of each of the loan transactions were as follows:

			Loan principals		Loan interest receivables	
	Notes	Due date	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Borrower A	(i), (iii)	7 June 2019	–	14,000	–	2,503
Borrower B	(i), (iv)	10 July 2019	–	2,500	–	397
		5 August 2019	–	4,000	–	624
		30 August 2019	–	3,500	–	613
Borrower C	(ii), (v)	18 July 2019	–	7,500	–	1,447
Borrower D	(ii), (v)	18 July 2019	–	4,500	–	868
Borrower E	(i), (iii), (vi)	25 July 2019	–	5,000	–	674
		31 July 2019	–	5,000	–	674
Borrower F	(i), (iii)	2 March 2019	–	600	–	99
		30 July 2019	–	2,000	–	267
Borrower G	(i), (iii)	23 August 2019	–	10,000	–	1,787
Borrower H	(ii), (iii)	25 September 2019	–	10,000	–	1,145
Borrower I	(i), (iii), (vii)	26 November 2019	–	200	–	3
		5 December 2019	–	2,700	–	37
Borrower J	(ii), (iii), (viii)	20 March 2020	–	2,900	–	129
			–	74,400	–	11,267

Notes:

i) The borrower is an individual.

ii) The borrower is a private corporate.

iii) The loan receivable is unsecured and unguaranteed.

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

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

vi) The borrower is a spouse of the former supervisor of several non-wholly-owned subsidiaries of the Company.

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

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

22. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Convertible bonds

CB 2023

On 29 May 2019, the Company entered into a subscription agreement with an independent third party ("CB 2023 Holder") for the issuance of CB 2023 with aggregate principal amount of HK$121,950,000. CB 2023 is denominated in Hong Kong dollars which entitles CB 2023 Holder to convert them into ordinary shares of the Company at any time commencing on the issue date of CB 2023 and expiring on the date which is 7 days preceding the mature date, at a conversion price of HK$0.15 per convertible bond (subject to anti-dilutive adjustments). CB 2023 carries interests at 4% per annum and payable every anniversary after the issue date of CB 2023, which shall mature on the third anniversary of the issue date of CB 2023. The issuance of CB 2023 was completed on 16 January 2020.

CB 2023 Holder has the right to convert the whole or any part (in multiple of HK$1,500,000) of the outstanding principal amount of convertible bonds into such number of ordinary shares of the Company as will be determined by dividing the principal amount of CB 2023 to be converted by the conversion price in effect on the date of conversion.

Upon issuance of CB 2023, amounts of HK$86,856,000, HK$35,671,000 and HK$577,000 were recognised as liability component, derivative component embedded in CB 2023 and deferred day one loss, respectively.

During the year ended 30 June 2020, convertible bonds with principle amount of HK$42,000,000 were converted and the Company allotted and issued 280,000,000 new ordinary shares on 15 June 2020 accordingly.

As at 30 June 2021 and 2020, the outstanding principal of CB 2023 was HK$79,950,000.

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

a) Convertible bonds *(Continued)*

***CB 2023** (Continued)*

When the convertible bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components in the convertible bonds are recognised in profit or loss. During the year ended 30 June 2020, an amount of approximately HK$14,239,000, being the difference between the fair value of shares issued upon conversion of convertible bonds of approximately HK$21,000,000 and the carrying amounts of the derivative and liability components of convertible bonds of approximately HK$35,239,000, was recognised as "gain on conversion of convertible bonds" in profit or loss.

The inputs used in the binomial option pricing model adopted by the independent professional valuer in determining the derivative component of CB 2023 as follows:

	At 30 June 2021	At 30 June 2020	At 12 June 2020 (Conversion date)	At 16 January 2020 (Issue date)
Share price	**HK$0.050**	HK$0.080	HK$0.070	HK0.123
Dividend yield	**0%**	0%	0%	0%
Expected volatility	**70.373%**	71.387%	70.438%	58.186%
Risk-free rate	**0.081%**	0.723%	0.823%	1.856%

The movements of the liability component of CB 2023 are set out below:

	Liability component – CB 2023	
	2021	2020
	HK$'000	HK$'000
At 1 July	**59,134**	–
Issuance of CB 2023	**–**	86,856
Coupon interest accrued at 30 June and included in other payables	**(3,198)**	(2,187)
Conversion of convertible bonds	**–**	(31,259)
Interest charged during the year (note 8)	**10,176**	6,338
Exchange realignment	**5,805**	(614)
At 30 June	**71,917**	59,134

The effective interest rate of the liability component of CB 2023 is 17.01%.

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

b) Derivative components of convertible bonds

The movements of the derivative component of CB 2023 are set out below:

	Derivative component – CB 2023	
	2021	2020
	HK$'000	HK$'000
At 1 July	**11,314**	–
Issuance of CB 2023	**–**	35,671
Recognition of deferred day one loss	**–**	(577)
Change in fair value	**(9,097)**	(19,766)
Amortisation of deferred day one loss in profit or loss	**126**	85
	(8,971)	(19,681)
Conversion of convertible bonds	**–**	(3,980)
Exchange realignment	**896**	(119)
At 30 June	**3,239**	11,314

The gain on change in fair value of embedded derivative of the convertible bonds for the year ended 30 June 2021 of HK$9,097,000 (2020: HK$19,766,000) and amortisation of day one loss of HK$126,000 (2020: HK$85,000) were recognised as "Change in fair value of derivative embedded in convertible bonds" in the consolidated statement of profit or loss and other comprehensive income, of which HK$8,971,000 (2020: HK$11,575,000) was related to derivative components of CB 2023 at 30 June 2021. The related interest expense of the liability component of the convertible bonds for the year ended 30 June 2021 amounted to HK$10,176,000 (2020: HK$6,338,000), which was calculated using the effective interest method.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to HK$766,348,000 (2020: HK$767,778,000) have been pledged to secure certain short-term bank loans and are therefore classified as current assets. Pledged bank deposits will be released upon the settlement of relevant loans.

Bank balances earns interest at floating rates based on daily bank deposit rates. Pledged bank deposits carry interest at fixed rates ranging from 0.0001% to 2.25% (2020: 0.1% to 2.59%) per annum.

As at 30 June 2021 and 2020, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Included in the bank balances and cash of the Group as at 30 June 2021 are bank balances amounting to HK$616,000 (2020: HK$28,792,000) which are denominated in currencies other than the functional currencies of the respective group entities.

24. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2021 HK$'000	2020 HK$'000
Trade payables	**23,199**	14,211
Deposits received	**12,000**	15,000
Franchisee guarantee deposits (Note)	**47,368**	45,721
Value-added tax payables	**–**	3,429
Salary and bonus payables	**47,664**	45,376
Other payables, accruals and other deposits	**33,728**	37,469
	163,959	161,206

Note: Franchisee guarantee deposits represent refundable deposits from the franchisees for use of the trademarks "3D-GOLD".

The credit period on purchase of goods ranges up to 90 days (2020: up to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

Included in trade payables as at 30 June 2021 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$503,000 (2020: HK$138,000).

Deposits received at 30 June 2021 amounting to HK$12,000,000 (2020: HK$15,000,000) are unsecured, interest bearing of 8% per annum, and repayable on demand (2020: unsecured, interest bearing of 8% per annum, and repayable on demand).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 30 June 2021 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$Nil (2020: HK$443,000) and HK$21,000 (2020: HK$96,000) respectively.

Included in other payables, accruals and other deposits as at 30 June 2021 are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$1,859,000 (2020: HK$2,096,000).

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

	2021 HK$'000	2020 HK$'000
0-30 days	**22,850**	13,981
31-60 days	**148**	107
61-90 days	**51**	–
Over 90 days	**150**	123
	23,199	14,211

25. CONTRACT LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Receipts in advance from franchisees and customers (Note a)	**19,285**	13,157
Customer loyalty programmes (Note b)	**921**	1,359
	20,206	14,516

Contract liabilities are expected to be settled within the Group's normal operating cycle and are classified as current liabilities.

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

	Receipts in advance from franchisees and customers HK$'000	**Customer loyalty programmes** HK$'000
For the year ended 30 June 2021		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	10,724	1,093
For the year ended 30 June 2020		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	16,672	857

Notes:

a) The Group receives deposits (i) from franchisees before the relevant franchising and licensing activities commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit received; and (ii) from customers and such amount will be recognised as revenue when the relevant revenue recognition criteria are met.

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

26. REFUND LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Refund liabilities arising from right of return	**6,906**	2,834

The refund liabilities relate to customer's right to return products. At the point of sale, a refund liability and the corresponding adjustment to revenue is recognised for those products to be returned. The Group uses its accumulated historical experience to estimate the number of returns using the expected value method.

27. LEASE LIABILTIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**5,205**	20,653
Within a period of more than one year but not more than two years	**2,340**	3,357
Within a period of more than two years but not more than five years	**755**	711
	8,300	24,721
Less: Amount due for settlement within 12 months shown under current liabilities	**(5,205)**	(20,653)
Amount due for settlement after 12 months shown under non-current liabilities	**3,095**	4,068

The weighted average incremental borrowing rates applied to lease liabilities is 8% (2020: 8%).

Details of maturity of lease liabilities are set out in note 38(b) to the consolidated financial statements.

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

As at 30 June 2021 and 2020, the loan from a non-controlling shareholder of a subsidiary of HK$100,000,000 is unsecured, interest-free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period.

Another loan from Luk Fook 3D of HK$57,080,000 was unsecured, interest bearing of 8% per annum and repayable in September 2019.

On 2 October 2019, the Company received a statutory demand from Luk Fook 3D demanding repayment of the loan principal of approximately HK$57,080,000, with relevant accrued interest, under section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

Further to the statutory demand on 2 October 2019, the Company received a winding-up petition filed by Luk Fook 3D against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region on 24 October 2019 (the "Hong Kong Petition"). Pursuant to the consent summons entered into between the Company and Luk Fook 3D dated 30 December 2019, the hearing of the Hong Kong Petition has been vacated and all proceedings has been stayed upon the determination of the Bermuda Petition (as defined below).

On 28 November 2019, the Company received a winding-up petition filed by Luk Fook 3D against the Company in the Supreme Court of Bermuda (the "Supreme Court") (collectively referred to as the "Bermuda Petition"). On 17 January 2020, the Supreme Court made an order whereby the hearing of the Bermuda Petition be adjourned to 21 February 2020. Due to the outbreak of the coronavirus in Bermuda, the Supreme Court remained closed. Accordingly, the hearing of the Bermuda Petition was further adjourned. As at 30 June 2020, the Bermuda Petition and Hong Kong Petition were not conclusive.

During the year ended 30 June 2020, the Group repaid the loan principal amounting approximately HK$30,080,000, the remaining outstanding loan principal was HK$27,000,000 as at 30 June 2020.

On 22 July 2020, the Group repaid the remaining amount of loan principal amounting HK$27,000,000, together with the relevant accrued interest, to Luk Fook 3D. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all of its liabilities and obligations owing to Luk Fook 3D. On the same date, the Group obtained a loan of HK$27,000,000 from Luk Fook 3D, which was unsecured, interest bearing of 18% per annum and repayable on 22 July 2021.

28. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY *(Continued)*

On 29 September 2020, the Hong Kong Petition and the Bermuda Petition have been withdrawn.

As at 30 June 2021, the loan principal outstanding to Lok Fook 3D was HK$27,000,000. In July 2021, the Group repaid a sum of approximately HK$18,464,000 to Luk Fook 3D, which included outstanding interest payables of approximately HK$4,964,000 and partial loan principal of HK$13,500,000. Subsequent to 30 June 2021, the Group successfully reached an agreement with Luk Fook 3D to extend the repayment date of the remaining loan principal amount of HK$13,500,000 to 22 November 2021. The associated loan interests shall be repaid on respective pre-agreed dates.

29. BANK AND OTHER BORROWINGS

	2021 **HK$'000**	2020 HK$'000
Secured floating rate borrowings	**1,486,000**	1,510,000
Unsecured fixed rate other borrowings		
– Independent third parties	**18,000**	25,400
	1,504,000	1,535,400
Secured	**1,486,000**	1,510,000
Unsecured	**18,000**	25,400
	1,504,000	1,535,400
Carrying amount repayable:		
Within one year*	**168,000**	175,400
	168,000	175,400
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)		
– Repayable within one year*	**1,336,000**	1,360,000
	1,504,000	1,535,400
Less: Amounts due within one year and shown under current liabilities	**(1,504,000)**	(1,535,400)
Amount shown under non-current liabilities	**–**	–

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

29. BANK AND OTHER BORROWINGS *(Continued)*

	Notes	Maturity date	Effective interest rate 2021	Effective interest rate 2020	Carrying amount 2021 HK$'000	Carrying amount 2020 HK$'000
Bank borrowings:						
Secured HK$ bank loans	(a)	July 2021 (2020: July 2020)	**1.73%**	3.75%	**396,000**	396,000
Secured HK$ bank loans	(b)	July 2021 (2020: July 2020)	**1.93%**	3.53%	**900,000**	900,000
Secured HK$ bank loans	(c)	June 2022 (2020: June 2021)	**1.73%**	3.51%	**150,000**	150,000
Secured HK$ bank loans	(d)	July 2021 (2020: July 2020)	**2.01%**	3.77%	**40,000**	64,000
Total bank borrowings					**1,486,000**	1,510,000
Unsecured other borrowings:						
An independent third party	(e)	On demand (2020: 12 November 2020)	**15%**	5%	**18,000**	20,000
An independent third party	(f)	N/A (2020: 15 July 2020)	**N/A**	20%-22%	**–**	5,400
					18,000	25,400
					1,504,000	1,535,400

Notes:

a) The bank loans are secured by pledged bank deposits and interest bearing at 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.08% to 1.92% per annum.

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

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

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

e) The loan is interest bearing at a fixed rate of 15% (2020: 5%) per annum.

f) The loan was interest bearing at a fixed rate ranging from 20% to 22% per annum.

30. SHARE CAPITAL

	Note	'000	HK$'000
Authorised:			
Ordinary shares of HK$0.04 each at 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021		5,000,000	200,000
Preference shares of HK$0.04 each at 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021		750,000	30,000
Total:			
At 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021		5,750,000	230,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.04 each at 1 July 2019		1,266,716	50,668
Issue of shares	(a)	280,000	11,200
Ordinary shares of HK$0.04 each at 30 June 2020, 1 July 2020 and 30 June 2021		1,546,716	61,868

Note:

a) On 15 June 2020, the Company issued 280,000,000 ordinary shares pursuant to the partial conversion of CB 2023 by CB 2023 Holder at a conversion price of HK$0.15 per ordinary shares.

31. SHARE-BASED PAYMENT TRANSACTIONS

2009 Share Option Scheme

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

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

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

Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2009 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares issue from time to time.

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

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

As at 30 June 2021, the number of options which remain outstanding under the 2009 Share Option Scheme was 25,450,000 (2020: 26,700,000) which, if exercise in full, representing 1.65% (2020: 1.73%) of the share capital of the Company.

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

2009 Share Option Scheme *(Continued)*

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

				Number of opinions				
Eligible person	Date of grant	Exercisable period	Adjusted exercise price HK$ (Note a)	Outstanding as at 1.7.2019	Lapsed during the year (Note b)	Outstanding as at 30.6.2020 and 1 July 2020	Lapsed during the year (Note b)	Outstanding as at 30.6.2021
Directors	20.7.2009	20.7.2009 to 19.7.2019	5.1920	29,084	(29,084)	–	–	–
	25.1.2013	28.2.2013 to 24.1.2023	0.9152	150,000	–	150,000	–	150,000
	25.1.2013	28.2.2014 to 24.1.2023	0.9152	150,000	–	150,000	–	150,000
	25.1.2013	28.2.2015 to 24.1.2023	0.9152	150,000	–	150,000	–	150,000
	12.1.2018	12.1.2018 to 11.1.2028	0.3232	11,375,000	–	11,375,000	(875,000)	10,500,000
				11,854,084	(29,084)	11,825,000	(875,000)	10,950,000
Employees	20.7.2009	20.7.2009 to 19.7.2019	5.1920	290,845	(290,845)	–	–	–
	25.1.2013	28.2.2013 to 24.1.2023	0.9152	250,000	–	250,000	–	250,000
	25.1.2013	28.2.2014 to 24.1.2023	0.9152	250,000	–	250,000	–	250,000
	25.1.2013	28.2.2015 to 24.1.2023	0.9152	625,000	–	625,000	(375,000)	250,000
	12.1.2018	12.1.2018 to 11.1.2028	0.3232	32,750,000	(32,750,000)	–	–	–
				34,165,845	(33,040,845)	1,125,000	(375,000)	750,000
Consultants	20.7.2009	20.7.2009 to 19.7.2019	5.1920	58,168	(58,168)	–	–	–
	13.4.2010	13.4.2009 to 12.4.2020	4.8120	581,690	(581,690)	–	–	–
	13.4.2010	13.7.2010 to 12.4.2020	4.8120	1,454,225	(1,454,225)	–	–	–
	13.4.2010	13.10.2010 to 12.4.2020	4.8120	1,454,225	(1,454,225)	–	–	–
	13.4.2010	13.1.2011 to 12.4.2020	4.8120	1,677,594	(1,677,594)	–	–	–
	27.2.2013	28.2.2014 to 24.1.2023	0.9152	2,500,000	–	2,500,000	–	2,500,000
	27.2.2013	28.2.2015 to 24.1.2023	0.9152	2,500,000	–	2,500,000	–	2,500,000
	12.1.2018	12.1.2018 to 11.1.2028	0.3232	8,750,000	–	8,750,000	–	8,750,000
				18,975,902	(5,225,902)	13,750,000	–	13,750,000
				64,995,831	(38,295,831)	26,700,000	(1,250,000)	25,450,000
Exercisable at the end of the year				64,995,831		26,700,000		25,450,000
Weighted average exercise price				0.7683	0.9770	0.4690	0.5008	0.4674

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

2009 Share Option Scheme *(Continued)*

Notes:

a) Upon the completion of the share consolidation on 17 July 2018, the number of share options was adjusted from 375,907,529 to 93,976,879 and the corresponding exercise price were adjusted from a range of HK$0.0808 to HK$1.2980 per option to HK$0.3232 to HK$5.1920 per share option.

b) The lapse of the share options is due to retirement of a director and resignation of an employee (2020: resignation of a director and certain employees and expiration of options).

No share option was granted during the years ended 30 June 2021 and 2020 under the 2009 Share Option Scheme.

2020 Share Option Scheme

In view of the expiry of 2009 Share Option Scheme on 22 January 2019, the Company adopted a share option scheme at the annual general meeting held on 23 June 2020 by way of an ordinary resolution (the "2020 Share Option Scheme") for the purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group's shareholders, directors, employees, business partners, customers and suppliers.

Pursuant to the 2020 Share Option Scheme, the Board may grant options to the eligible persons to subscribe for the Company's shares for a consideration of HK$1 for each lot of share options issued. The exercise price is to be determined by the Board and shall not less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Pursuant to 2020 Share Option Scheme, the Scheme Mandate Limit is not permitted to exceeded 154,671,601 shares, representing 10% of the issued share capital of the Company as at the date of adoption 2020 Share Option Scheme.

Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2020 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares issue from time to time.

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

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

No share option was granted during the years ended 30 June 2021 and 2020 under the 2020 Share Option Scheme.

32. DISPOSAL OF SUBSIDIARIES

During the year ended 30 June 2021, the Group entered into several sale and purchase agreements for disposing certain subsidiaries of the Group. Details of the disposal of subsidiaries were summarised as follows:

a) On 16 March 2021, Brand New Management Limited ("Brand New"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company which is an independent third party to the Group (the "Purchaser B"), pursuant to which Brand New had conditionally agreed to sell and the Purchaser B had conditionally agreed to purchase the entire equity interest of Joyrise Ventures Limited and its subsidiaries (the "Joyrise Group"), for a consideration of HK$10,000. The disposal was completed on 17 March 2021.

b) On 17 March 2021, 深圳前海卓佳時供應鏈有限公司 ("深圳前海卓佳時"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an individual which is an independent third party to the Group (the "Purchaser A"), pursuant to which 深圳前海卓佳時 had conditionally agreed to sell and the Purchaser A had conditionally agreed to purchase the entire equity interest of 金牛智鏈(北京)科技有限公司 ("金牛智鏈"), for a consideration of RMB5,000 (or equivalent to approximately HK$6,000. The disposal was completed on 4 June 2021.

c) On 22 June 2021, Brand New entered into a sale and purchase agreement with Mr. Li Ning, the executive director of the Company, pursuant to which Brand New had conditionally agreed to sell and Mr. Li Ning had conditionally agreed to purchase the entire equity interest of Prosten Wealth Investment Limited and its subsidiary (the "Prosten Wealth Group"), for a consideration of HK$1,458,000. The disposal was completed on 23 June 2021.

d) On 22 June 2021, Brand New entered into a sale and purchase agreement with an individual which is an independent third party to the Group (the "Purchaser C"), pursuant to which Brand New had conditionally agreed to sell and the Purchaser C had conditionally agreed to purchase the entire equity interest of Century Height Limited and its subsidiaries (the "Century Height Group"), for a consideration of HK$3,160,000. The disposal was completed on 25 June 2021.

32. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net (liabilities)/assets of the abovementioned subsidiaries at the respective disposal dates were as follows:

	Joyrise Group	金牛智鏈	Prosten Wealth Group	Century Height Group	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Analysis of assets and liabilities over which control was lost:					
Property, plant and equipment	–	–	–	8	8
Intangible assets	–	–	1,078	–	1,078
Amount due from ex-immediate holding company	–	–	–	2,023	2,023
Loan receivables (note)	–	–	–	–	–
Other receivables and deposits paid (note)	1,143	1,201	204	36,125	38,673
Bank balances and cash	387	–	162	442	991
Other payables, accruals and deposits received	(3,168)	(1,202)	(9)	(214)	(4,593)
Contract liabilities	–	–	–	(7,088)	(7,088)
Other loan	–	–	–	(28,150)	(28,150)
Net (liabilities)/assets disposed of	(1,638)	(1)	1,435	3,146	2,942
Gain on disposal	1,648	7	23	14	1,692
Total consideration	10	6	1,458	3,160	4,634
Satisfied by:					
Cash	10	6	1,458	3,160	4,634
Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of disposal of subsidiaries:					
Cash consideration	10	6	1,458	3,160	4,634
Less: Cash and cash equivalents balances disposed of	(387)	–	(162)	(442)	(991)
	(377)	6	1,296	2,718	3,643

Note: At the completion date of disposal of Prosten Wealth Group, the net assets comprised of loan receivables and relevant interest receivables of approximately HK$74,400,000 and HK$11,267,000, and allowances for credit losses on loan receivables and the relevant interest receivables of approximately HK$74,400,000 and HK$11,267,000 respectively had been recognised as at the date of the disposal. Details of such loan receivables and the relevant interest receivables are disclosed in note 21 to the consolidated financial statements.

33. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,133**	–

34. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The retirement benefits scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000 per month.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiary established in the PRC is required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits.

The employees employed in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute Macau patacas ("MOP") 60 per month for each employee to the retirement benefit plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

As at 30 June 2021 and 30 June 2020, the Group had no significant obligation apart from the contribution as stated above.

35. PLEDGE OF ASSETS

As at 30 June 2021, the Group's bank deposits with carrying amounts of HK$766,348,000 (2020: HK$767,778,000) were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

36. RELATED PARTY DISCLOSURES

a) Related party transactions

During the year, the Group has the following related party transactions:

Relationship	Nature of transactions	2021 HK$'000	2020 HK$'000
A director of the Company	Interest expense	–	372
	Waiver of interest payable	372	–
	Proceed from disposal of subsidiaries	1,458	–
A non-controlling shareholder of a subsidiary	Interest expense	4,709	3,550
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	License income	–	34
	Purchase of gold and jewellery products	5,172	1,741
	Purchase return of gold and jewellery products	9,314	–
	License and service fee	519	–
	Repayment of lease liabilities	6,710	4,391
	Sale of jewellery	2,950	881
	Sale of consumables	–	2
	Specialty fee	18	72
	Subcontracting fee	29	81
	Sundry income	245	–
A company in which a director of a subsidiary has beneficial interest	License and service fee	3,140	4,219

During the year ended 30 June 2020, Mr. Li Ning, a director of the Company, advanced a loan of HK$59,000,000 to the Company. The Company fully settled such loan during the year ended 30 June 2020, with approximately HK$372,000 interest expense incurred regarding this loan which was recorded in the line item of "bank and other borrowing" under finance cost. During the year ended 30 June 2021, Mr. Li Ning waived the aforementioned interest expense of approximately HK$372,000.

As at 30 June 2021, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK$1,075,000,000 (2020: HK$1,075,000,000) to banks in respect of banking facilities granted to the Group. No fee is paid or payable by the Group to the guarantor.

b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the consolidated statement of financial position and in notes 16, 21, 24 and 28.

c) Compensation of key management personnel

Directors are key management personnel of the Company whose remuneration is disclosed in note 10.

37. CAPITAL RISK MANAGEMENT

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

The capital structure of entities in the Group consists of debts, which include convertible bonds disclosed in note 22, bank and other borrowings disclosed in note 29, loans from a non-controlling shareholder of a subsidiary disclosed in note 28 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The directors balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

38. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Equity instruments at FVTOCI	–	2,007
Financial assets at amortised cost	**923,322**	933,251
Financial liabilities		
Derivative financial instruments	**3,239**	11,314
At amortised costs	**1,873,926**	1,900,985

b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, trade and other receivables, loan receivables, pledged bank deposits, bank balances and cash, trade and other payables, franchisee guarantee deposits, bank and other borrowings, lease liabilities, loans from a non-controlling shareholder of a subsidiary, derivative component of convertible bonds and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

During the current year, there has been no change to the exposure of entities in the Group to market risks or the manner in which it manages and measures the risk.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from a non-controlling shareholder of a subsidiary (note 28), fixed-rate bank and other borrowings (note 29) and fixed-rate convertible bonds (note 22). The Group is also exposed to cash flow interest rate risk which is mainly concentrated on the fluctuation of HIBOR lending rate arising from the Group's HK$ denominated bank and other borrowings (note 29).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

38. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates of floating-rate bank borrowings only as management consider reasonable possible change in interest rate on floating-rate bank balances would not have material financial impact to the Group. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. Other than that, a 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the result of the Group would have been impacted as follows:

	2021 **HK$'000**	2020 HK$'000
Increase/decrease in loss for the year	**7,430**	7,550

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets and liabilities are denominated in HK$, RMB, MOP and United States Dollar ("US$") which are currencies other than the functional currencies of the respective group entities (see respective notes). The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the monetary assets and liabilities, which are trade and other receivables, bank balances and cash, trade and other payables, accruals and deposits received, bank and other borrowings, loans from a non-controlling shareholder of a subsidiary and convertible bonds, that are denominated in currencies other than the functional currencies of the respective group entities of the Group at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
HK$	**586**	30,633	**244,608**	246,469
RMB	**21**	101	**–**	–
US$	**273**	73	**–**	–

The sensitivity analysis does not include MOP denominated assets held by entity with HK$ as its functional currency as it is expected that there would be no material currency risk exposure.

Currency risk sensitivity analysis

The foreign currency risk of the Group is mainly concentrated on the fluctuations of RMB against HK$ and US$. The sensitivity analysis below includes currency risk related to HK$ and US$ denominated monetary items of group entities whose functional currencies are RMB and also currency risk related to RMB denominated monetary items of group entities whose functional currencies are HK$ and US$.

The following table details the sensitivity of the Group to a 5% increase and decrease in RMB against HK$ and US$ respectively. 5% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates.

38. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk sensitivity analysis (Continued)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the functional currency of the respective group entity. A positive number below indicates a decrease in loss where RMB strengthens against HK$ and US$. For a 5% weakening of RMB against HK$ and US$, there would be an equal and opposite impact and the balances below would be negative.

	2021 **HK$'000**	2020 HK$'000
Loss for the year		
RMB against HK$	**12,200**	10,788
RMB against US$	**(14)**	(3)

Price risk

The Group is engaged in the sale of jewellery includes gold products. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group closely monitor the commodity price and may consider to use gold loans as well as financial derivatives instruments, such as gold bullion contracts through margin account and bullion forward contracts to reduce its exposure to fluctuations in the gold price on gold inventory when need.

In addition, the Group is exposed to equity price risk through its investments in listed equity securities as disclosed in note 18. Management of the Group monitors the price risk and will consider hedging the risk exposure should the need arise.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underline the fair values of the derivative component in convertible bonds of the Group at the end of reporting period.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

As at 30 June 2020, if the price of the equity investment had been 10% higher/lower, investment revaluation reserve would increase/decrease by HK$201,000 for the Group as a result of the changes in fair value of equity instruments at FVTOCI.

If the share price of the Company had been 10% higher/lower, loss for the year would increase by HK$866,000/decrease by HK$724,000 (2020: increase by HK$2,242,000/decrease by HK$3,033,000) for the Group as a result of the change in fair value of derivative embedded in convertible bonds.

If the volatility of the share price of the Company had been 10% higher/lower, loss for the year would increase by HK$895,000/decrease by HK$774,000 (2020: increase by HK$1,555,000/decrease by HK$2,534,000) for the Group as a result of the change in fair value of derivative embedded in convertible bonds.

38. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

As at 30 June 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risks on other receivables are insignificant as the management of the Group periodically monitors the balances to ensure that the counterparties are viable to settle the debts.

The credit risks on bank balances and pledged bank deposits are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

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

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

38. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2021 HK$'000	2020 HK$'000
Financial assets at amortised cost						
Trade receivables	16	N/A (2020: N/A)	(Note 1)	Lifetime ECL – not credit-impaired (provision matrix)	**49,637**	36,443
				Lifetime ECL – credit-impaired	**–**	–
					49,637	36,443
Loan receivables	21	N/A (2020: N/A)	(Note 2) Loss	Lifetime ECL – credit-impaired	**–**	74,400
Loan interest receivables	16	N/A (2020: N/A)	(Note 2) Loss	Lifetime ECL – credit-impaired	**–**	11,267
Other receivables and deposits paid	16	N/A (2020: N/A)	(Note 3)	12-month ECL	**11,179**	18,309
Pledged bank deposits	23	A1 or above (2020: A or above)	N/A	12-month ECL	**766,348**	767,778
Bank balances	23	Baa3 or above (2020: A or above)	N/A	12-month ECL	**94,568**	109,641

Notes:

1. For trade receivables, the Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Company determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

38. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

1. *(Continued)*

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

Based on the ECL assessment, loss allowance provision of HK$Nil (2020: HK$89,000) for trade receivables was recognised as at 30 June 2021.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables:

	Lifetime ECL (not credit-impaired)	**Lifetime ECL (credit-impaired)**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 July 2019	3,971	2,754	6,725
Impairment losses reversed	(3,725)	(2,645)	(6,370)
Exchange realignment	(157)	(109)	(266)
As at 30 June 2020 and 1 July 2020	**89**	–	**89**
Impairment losses reversed	**(97)**	–	**(97)**
Exchange realignment	**8**	–	**8**
As at 30 June 2021	–	–	–

2. As at 30 June 2020, loan receivables and relevant interest receivables with gross carrying amounts of HK$74,400,000 and HK$11,267,000 were assessed individually, respectively, were considered as "loss" after taking into account the credit history of the debtors including default and delay in payments, and other forward-looking information that is available without undue cost or effort.

As disclosed in note 21, during the process of Forensic Investigation, it alleged the Involved Former CEO and Involved Former Directors' negligence and malfeasance in approving and granting the loan transactions, thereby calling into question the commercial reasonableness of those loan transactions, in light that they did not maintain a professional skepticism to establish a reasonable and reliable credit evaluation mechanism, hire a professional credit team to conduct credit risk assessment, and establish an effective internal control mechanism to monitor the credit review and approval process, for instance, proper due diligence and thorough background check were not conducted before granting the relevant transactions.

As at 30 June 2020, 100% of the loan receivables had been past due, and the Group had issued either writs of summons or statutory demand for demanding repayment. The directors of the Company considered an increasing uncertainty in recoverability of the loan transactions and there was evidence indicating that these debtors were credit-impaired, after taking into account all the circumstances as disclosed in note 21 and the findings of Forensic Investigation Report. In this regard, full impairment losses of HK$74,400,000 and HK$11,267,000 were provided for these loan receivables and relevant interest receivables respectively as at 30 June 2020. During the year ended 30 June 2021, the aforementioned loan receivables and relevant interest receivables were disposed upon disposal of subsidiaries. Details of the disposal of subsidiaries are set out in note 32 to the consolidated financial statements.

38. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

2. *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for loan receivables and relevant interest receivables:

	Lifetime ECL (credit-impaired) HK$'000
As at 1 July 2019	85,958
Impairment losses reversed (note (i))	(291)
At as 30 June 2020 and 1 July 2020	**85,667**
Disposal of subsidiaries (note (ii))	**(85,667)**
As at 30 June 2021	**–**

Notes:

i) During the year ended 30 June 2020, the Group recovered interest receivables of approximately HK$291,000 from one of the debtors. Accordingly, a reversal of impairment loss of approximately HK$291,000 was recognised in profit or loss.

ii) During the year ended 30 June 2021, the Group disposed of entire equity interest of Prosten Wealth Investment Limited, the immediate holding company of Prosten Finance Limited, to Mr. Li Ning, an executive director of the Company, at a consideration of HK$1,458,000. Accordingly, the provision for impairment loss of loan receivables and relevant interest receivables of approximately HK$85,667,000 were disposed of upon the disposal of subsidiaries. Details of disposal of subsidiaries are set out in note 32 to the consolidated financial statements.

3. The Group has assessed and concluded that the rate of default and 12-month ECL for the other receivables and deposits paid are insignificant based on the Group's assessment of historical default experience and forward-looking information available at the end of the reporting period. Thus, the directors of the Company considered that the impairment loss of the other receivables and deposits paid of the Group is insignificant as at 30 June 2021 and 2020.

Liquidity risk

Regarding the liquidity risk, management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 30 June 2021, the Group has available unutilised revolving banking facilities of HK$664,000,000 (2020: HK$640,000,000). Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings and convertible bonds as significant sources of liquidity. The Group's current liabilities exceeded its current assets by HK$114,017,000 (2020: HK$145,855,000) and its total liabilities exceeded its total assets by HK$121,619,000 (2020: HK$119,446,000) as at 30 June 2021. Taking into account the basis as set out in note 2 to the consolidated financial statements, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period.

38. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following tables detail the Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on agreed repayment dates. The tables include both interest and principal cash flows.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis, and the undiscounted gross outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the market value existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

38. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table

As at 30 June 2021	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities								
Trade and other payables	0.90	115,341	–	–	–	–	115,341	115,341
Franchisee guarantee deposits	–	–	–	47,368	–	–	47,368	47,368
Bank and other borrowings:								
– fixed rate	11.57	22,089	–	–	–	–	22,089	18,000
– variable rate	1.86	1,336,000	–	152,600	–	–	1,488,600	1,486,000
Lease liabilities	8.00	1,078	1,916	2,593	2,493	775	8,855	8,300
Convertible bonds	17.01	–	–	3,198	83,148	–	86,346	71,917
Loans from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	17.44	27,280	–	–	–	–	27,280	27,000
		1,501,788	1,916	205,759	185,641	775	1,895,879	1,873,926

As at 30 June 2020	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities								
Trade and other payables	1.10	109,009	–	–	–	–	109,009	109,009
Franchisee guarantee deposits	–	–	–	45,721	–	–	45,721	45,721
Bank and other borrowings:								
– fixed rate	8.61	5,444	–	20,370	–	–	25,814	25,400
– variable rate	3.60	1,360,000	–	155,265	–	–	1,515,265	1,510,000
Lease liabilities	8.00	2,680	5,253	13,741	3,482	738	25,894	24,721
Convertible bonds	17.01	–	–	3,198	3,198	83,148	89,544	59,134
Loans from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	8.00	27,132	–	–	–	–	27,132	27,000
		1,504,265	5,253	238,295	106,680	83,886	1,938,379	1,900,985

38. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

Bank loans with a repayment on demand clause are included in the "on demand or in 30 days" time band in the above maturity analysis. As at 30 June 2021, the aggregate amounts of these bank loans amounted to HK$1,336,000,000 (2020: HK$1,360,000,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or in 30 days	**Total undiscounted cash flow**	**Carrying amounts**
	HK$'000	HK$'000	HK$'000
As at 30 June 2021			
Bank borrowing with a repayment on demand clause	**1,337,185**	**1,337,185**	**1,336,000**
As at 30 June 2020			
Bank borrowings with a repayment on demand clause	1,361,511	1,361,511	1,360,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

38. FINANCIAL INSTRUMENTS *(Continued)*

c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements and valuation processes

Certain assets and liabilities of the Group are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree of which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

38. FINANCIAL INSTRUMENTS *(Continued)*

c) Fair value measurements of financial instruments *(Continued)*

Fair value measurements and valuation processes *(Continued)*

	Financial assets/ liabilities included in the consolidated statement of financial position	Fair value as at 30.6.2021 HK$'000	Fair value as at 30.6.2020 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
1)	Equity instruments at FVTOCI – Quoted equity instrument	**–**	2,007	Level 1	Bid prices quoted in active market.	Not applicable
2)	Equity instruments at FVTOCI – Unquoted instrument	**–**	–	Level 3	The fair value is estimated based on the underlying assets and liabilities, taking into consideration of discount for lack of marketability and minority discount.	Discount of lack of marketability and minority discount (Note a)
3)	Conversion option derivatives embedded in convertible bonds	**3,239**	11,314	Level 3	Binomial option pricing model The fair value is estimated based on the share price, dividend yield, volatility of the share price of the Company and risk-free rate.	Volatility of the share price by reference to the historical share price of the Company (Note b)

Notes:

a) The higher the discount for lack of marketability and minority discount, the lower the fair value of the unquoted equity investment.

b) The higher the volatility of the share price of the Company, the higher the fair value of the conversion option derivative. Details of the volatility of the share price of the Company used in the fair value measurement are set out in note 22 to the consolidated financial statements.

There is no transfer between different levels of the fair value hierarchy for the years ended 30 June 2021 and 2020.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded as amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities (categories within Level 3 hierarchy) are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payables	Bank and other borrowings	Lease liabilities	Loans from a non-controlling shareholder of a subsidiary	Convertible bonds	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 30 June 2019	380	1,911,892	–	157,080	–	2,069,352
Impact on initial application of HKFRS 16	–	–	52,524	–	–	52,524
	380	1,911,892	52,524	157,080	–	2,121,876
Financing cash flows:						
– New bank and other borrowings raised	–	20,000	–	–	–	20,000
– Repayment of bank and other borrowings	–	(396,492)	–	–	–	(396,492)
– Advance from a director	–	59,000	–	–	–	59,000
– Repayment to a director	–	(59,000)	–	–	–	(59,000)
– Interest paid	(1,672)	(66,955)	–	(3,756)	–	(72,383)
– Issuance of CB 2023	–	–	–	–	121,950	121,950
– Repayment of lease liabilities, including related interests	–	–	(27,294)	–	–	(27,294)
– Repayment of loan from a non-controlling shareholder of a subsidiary	–	–	–	(30,080)	–	(30,080)
Total change from financing cash flows	(1,672)	(443,447)	(27,294)	(33,836)	121,950	(384,299)
Conversion of convertible bonds	–	–	–	–	(35,239)	(35,239)
Change in fair value of derivatives embedded in convertible bonds	–	–	–	–	(19,681)	(19,681)
COVID-19-related rent concessions received	–	–	(5,121)	–	–	(5,121)
Interest expenses	1,790	66,955	3,027	3,550	6,338	81,660
Addition of right-of-use assets	–	–	2,959	–	–	2,959
Modification of lease	–	–	(852)	–	–	(852)
Coupon interest accrued at 30 June 2020 and included in other payables	2,187	–	–	–	(2,187)	–
Interest accrued at 1 July 2019 and included in other payables	(380)	–	–	380	–	–
Interest accrued at 30 June 2020 and included in other payables	174	–	–	(174)	–	–
Exchange realignment	–	–	(522)	–	(733)	(1,255)
At 30 June 2020	2,479	1,535,400	24,721	127,000	70,448	1,760,048

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Interest payables HK$'000	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Loans from a non-controlling shareholder of a subsidiary HK$'000	Convertible bonds HK$'000	Total HK$'000
As at 1 July 2020	2,479	1,535,400	24,721	127,000	70,448	1,760,048
Financing cash flows:						
– Repayment of bank and other borrowings	–	(31,400)	–	–	–	(31,400)
– Interest paid	(1,144)	(29,433)	–	(4,762)	–	(35,339)
– Repayment of lease liabilities, including related interests	–	–	(19,965)	–	–	(19,965)
– New bank and other borrowing raised	–	28,150	–	–	–	28,150
– New loan raised from a non-controlling shareholder of a subsidiary	–	–	–	27,000	–	27,000
– Repayment of loan from a non-controlling shareholder of a subsidiary	–	–	–	(27,000)	–	(27,000)
Total change from financing cash flows	(1,144)	(32,683)	(19,965)	(4,762)	–	(58,554)
Change in fair value of derivatives embedded in convertible bonds	–	–	–	–	(8,971)	(8,971)
COVID-19-related rent concessions received	–	–	(2,514)	–	–	(2,514)
Interest expenses	1,053	29,433	1,241	4,709	10,176	46,612
Addition of lease liabilities	–	–	6,514	–	–	6,514
Modification of lease	–	–	(2,604)	–	–	(2,604)
Coupon interest accrued at 1 July 2020 and included in other payables	(2,187)	–	–	–	2,187	–
Coupon interest accrued at 30 June 2021 and included in other payables	5,385	–	–	–	(5,385)	–
Interest accrued at 1 July 2020 and included in other payables	(174)	–	–	174	–	–
Interest accrued at 30 June 2021 and included in other payables	121	–	–	(121)	–	–
Disposal of subsidiaries (note 32)	–	(28,150)	–	–	–	(28,150)
Exchange realignment	–	–	907	–	6,701	7,608
At 30 June 2021	5,533	1,504,000	8,300	127,000	75,156	1,719,989

40. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Assets and liabilities		
Non-current assets		
Property, plant and equipment	**65**	61
Loan to a subsidiary	**–**	–
Investments in subsidiaries	**170,397**	170,397
Equity instruments at FVTOCI	**–**	2,007
	170,462	172,465
Current assets		
Other receivables and deposits paid	**257**	326
Amounts due from subsidiaries	**27,108**	54,001
Bank balances and cash	**97**	48
	27,462	54,375
Current liabilities		
Other payables, accruals and deposits received	**22,447**	21,438
Other borrowings	**18,000**	25,400
Loan from a non-controlling shareholder of a subsidiary	**27,000**	27,000
Derivative component of convertible bonds	**3,239**	11,314
Financial guarantee liabilities	**12,435**	–
Amounts due to subsidiaries	**25,876**	23,368
	108,997	108,520
Net current liabilities	**(81,535)**	(54,145)
Total assets less current liabilities	**88,927**	118,320
Non-current liabilities		
Convertible bonds	**71,917**	59,134
	71,917	59,134
NET ASSETS	**17,010**	59,186
CAPITAL AND RESERVES		
Share capital	**61,868**	61,868
Reserves (Note)	**(44,858)**	(2,682)
TOTAL EQUITY	**17,010**	59,186

40. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: The movements of reserves are as follows:

	Share premium	Contributed surplus	Share option reserve	Investment revaluation reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2019	777,848	55,327	15,048	(11,892)	(16,712)	(894,083)	(74,464)
Profit for the year	–	–	–	–	–	57,927	57,927
Exchange difference arising on translation	–	–	–	–	5,632	–	5,632
Fair value loss on equity instruments at FVTOCI	–	–	–	(1,577)	–	–	(1,577)
Total comprehensive (expense)/income for the year	–	–	–	(1,577)	5,632	57,927	61,982
Issue of shares, net of transaction costs	9,800	–	–	–	–	–	9,800
Lapse of share options	–	–	(10,505)	–	–	10,505	–
At 30 June 2020	787,648	55,327	4,543	(13,469)	(11,080)	(825,651)	(2,682)
At 1 July 2020	**787,648**	**55,327**	**4,543**	**(13,469)**	**(11,080)**	**(825,651)**	**(2,682)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(27,225)**	**(27,225)**
Exchange difference arising on translation	**–**	**–**	**–**	**–**	**(14,861)**	**–**	**(14,861)**
Fair value loss on equity instruments at FVTOCI	**–**	**–**	**–**	**(90)**	**–**	**–**	**(90)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(90)**	**(14,861)**	**(27,225)**	**(42,176)**
Release upon disposal of equity instruments at FVTOCI	**–**	**–**	**–**	**7,551**	**–**	**(7,551)**	**–**
Lapse of share options	**–**	**–**	**(240)**	**–**	**–**	**240**	**–**
At 30 June 2021	**787,648**	**55,327**	**4,303**	**(6,008)**	**(25,941)**	**(860,187)**	**(44,858)**

41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 30 June 2021 and 2020 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a)		Attributable equity interest held		Principal activities
				2021	2020	2021	2020	
3D-GOLD Company Limited	Hong Kong	N/A (2020: N/A)	HK$100 (2020: HK$100)	**100%**	100%	**50%***	50%*	Investment holding
金至尊實業發展(深圳)有限公司 (3D-GOLD Enterprises Development (Shenzhen) Co. Ltd.) (Note b)	PRC	US$62,854,300 (2020: US$62,854,300)	US$62,854,300 (2020: US$62,854,300)	**100%**	100%	**50%***	50%*	Retailing and franchising operations of gold and jewellery products in Mainland China
3D-GOLD International Company Limited	Hong Kong	N/A (2020: N/A)	HK$2 (2020: HK$2)	**100%**	100%	**50%***	50%*	Holding of trademark
3D-GOLD Jewellery (HK) Limited	Hong Kong	N/A (2020: N/A)	HK$100 (2020: HK$100)	**100%**	100%	**50%***	50%*	Retailing of gold and jewellery products in Hong Kong
3D-GOLD Management Services Limited	Hong Kong	N/A (2020: N/A)	HK$1 (2020: HK$1)	**100%**	100%	**50%***	50%*	Provision of management services
3D-GOLD (PRC Holding) Company Limited	Hong Kong	N/A (2020: N/A)	N/A (2020: HK$100)	**N/A**	100%	**N/A**	50%*	Deregistered in 2021 (2020: Investment holding)
TP Properties (HK) Limited	Hong Kong	N/A (2020: N/A)	HK$100 (2020: HK$100)	**100%**	100%	**100%**	100%	Investment holding
Brand New Management Limited	British Virgin Islands	US$50,000 (2020: US$50,000)	US$1 (2020: US$1)	**100%**	100%	**100%**	100%	Investment holding
Century Height Limited	British Virgin Islands	N/A (2020: US$50,000)	N/A (2020: US$1)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Investment holding)
China Gold Silver Group Company Limited ("CGS")	British Virgin Islands	US$50,000 (2020: US$50,000)	US$3,334 (2020: US$3,334)	**50%**	50%	**50%**	50%	Investment holding
China Gold Silver (JV) Company Limited	British Virgin Islands	US$50,000 (2020: US$50,000)	US$100 (2020: US$100)	**100%**	100%	**50%***	50%*	Investment holding
China Gold Silver (JV) HK Company Limited	Hong Kong	N/A (2020: N/A)	HK$100 (2020: HK$100)	**100%**	100%	**50%***	50%*	Investment holding
Dian Guo Industrial Development Limited	Hong Kong	N/A (2020: N/A)	N/A (2020: HK$10,000)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Investment holding)

41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a)		Attributable equity interest held		Principal activities
				2021	2020	**2021**	2020	
Dian Guo Investment Development Limited	British Virgin Islands	N/A (2020: US$50,000)	N/A (2020: US$50,000)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Investment holding)
Faithful Master Investments Limited	Hong Kong	N/A (2020: N/A)	HK$1 (2020: HK$1)	**100%**	100%	**100%**	100%	Investment holding
Goldace Development Limited	British Virgin Islands	US$50,000 (2020: US$50,000)	US$100 (2020: US$100)	**100%**	100%	**100%**	100%	Investment holding
Great Tactic Limited	British Virgin Islands	US$50,000 (2020: US$50,000)	US$1 (2020: US$1)	**100%**	100%	**50%***	50%*	Rental holding
Gold Ocean Jewellery Company Limited	Macau	MOP500,000 (2020: MOP500,000)	MOP500,000 (2020: MOP500,000)	**100%**	100%	**50%***	50%*	Retailing of gold and jewellery products in Macau
Golden Zone International Limited	British Virgin Islands	US$50,000 (2020: US$50,000)	US$1 (2020: US$1)	**100%**	100%	**50%***	50%*	Investment holding
Jin Song Shu Gold & Jewellery Limited	Hong Kong	N/A (2020: N/A)	N/A (2020: HK$100)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Investment holding)
Jin Song Shu Properties Limited	Hong Kong	N/A (2020: N/A)	HK$100 (2020: HK$100)	**100%**	100%	**100%**	100%	Investment holding
Joyrise Ventures Limited	British Virgin Islands	N/A (2020: US$50,000)	N/A (2020: US$1)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Investment holding)
Master Joy Global Development Limited	Hong Kong	N/A (2020: N/A)	N/A (2020: HK$100)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Trading)
Prosten Finance Limited	Hong Kong	N/A (2020: N/A)	N/A (2020: HK$92,903,508)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Money lending)
Prosten Wealth Investment Limited	British Virgin Islands	N/A (2020: US$50,000)	N/A (2020: US$50,000)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Investment holding)
Rainbow Genins Investments Limited	Hong Kong	N/A (2020: N/A)	HK$1 (2020: HK$1)	**100%**	100%	**100%**	100%	Investment holding
Rise Rich International Limited	Hong Kong	N/A (2020: N/A)	N/A (2020: HK$10,000)	**N/A**	100%	**N/A**	50%*	Deregistered in 2021 (2020: Trading of jewellery)
Special Link Limited	Hong Kong	N/A (2020: N/A)	HK$1 (2020: HK$1)	**100%**	100%	**50%***	50%*	Investment holding

41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a) 2021	2020	Attributable equity interest held 2021	2020	Principal activities
Talent Wonder Limited	British Virgin Islands	US$50,000 (2020: US$50,000)	US$1 (2020: US$1)	**100%**	100%	**100%**	100%	Investment holding
Think Bright Global Limited	British Virgin Islands	US$50,000 (2020: US$50,000)	US$1 (2020: US$1)	**100%**	100%	**100%**	100%	Investment holding
Ultra Best Global Limited	British Virgin Islands	US$50,000 (2020: US$50,000)	US$50,000 (2020: US$50,000)	**100%**	100%	**100%**	100%	Investment holding
Value Management International Limited	Hong Kong	N/A (2020: N/A)	HK$1 (2020: HK$1)	**100%**	100%	**100%**	100%	Not yet commence business
上海金至尊鑽石有限公司 (Note b)	PRC	RMB1,000,000 (2020: RMB1,000,000)	RMB1,000,000 (2020: RMB1,000,000)	**100%**	100%	**50%***	50%*	Sales of jewellery
尊福珠寶(重慶)有限公司 (Note b)	PRC	RMB1,000,000 (2020: RMB1,000,000)	RMB1,000,000 (2020: RMB1,000,000)	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery products in Mainland China
深圳勝力供應鏈技術有限公司 (Note b & d)	PRC	RMB10,000,000 (2020: RMB10,000,000)	N/A (Note d) (2020: N/A (Note d))	**100%**	100%	**100%**	100%	Investment holding
深圳市滇國實業有限公司 (Note b)	PRC	N/A (2020: HK$2,000,000)	N/A (2020: N/A (Note d))	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Investment holding)
深圳金銀豐珠寶有限公司 (Note b)	PRC	N/A (2020: RMB10,000,000)	N/A (2020: RMB30,000)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Subcontracting of gold & jewellery)
深圳前海卓佳時供應鏈有限公司 (Note b)	PRC	N/A (2020: RMB60,000,000)	N/A (2020: RMB24,000,000)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Computer product trading)
金牛智鏈(北京)科技有限公司	PRC	N/A (2020: RMB20,000,000)	N/A (2020: N/A (Note d))	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Not yet commence business)
至尊金業(深圳)有限公司 (Note b)	PRC	RMB1,000,000 (2020: RMB1,000,000)	RMB1,000,000 (2020: RMB1,000,000)	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery products in Mainland China
重慶金至尊珠寶有限公司 (Note b)	PRC	RMB5,000,000 (2020: RMB5,000,000)	RMB5,000,000 (2020: RMB5,000,000)	**100%**	100%	**50%***	50%*	Sale of gold and jewellery

41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a)		Attributable equity interest held		Principal activities
				2021	2020	**2021**	2020	
重慶金至尊營銷策劃有限公司 (Note b)	PRC	RMB5,000,000 (2020: RMB5,000,000)	RMB5,000,000 (2020: RMB5,000,000)	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery products in Mainland China
重慶金至尊飾品設計有限公司 (Note b)	PRC	RMB5,000,000 (2020: RMB5,000,000)	RMB5,000,000 (2020: RMB5,000,000)	**100%**	100%	**50%***	50%*	Design and wholesales of gold and jewellery products
茂名市金松鼠金銀珠寶有限公司 (Note b)	PRC	N/A (2020: RMB35,000,000)	N/A (2020: RMB24,936,641)	**N/A**	100%	**N/A**	100%	Disposed in 2021 (2020: Subcontracting of gold & jewellery)
金尊影業(無錫)有限公司 (Note b & d)	PRC	RMB1,000,000 (2020: RMB1,000,000)	N/A (Note d) (2020: N/A (Note d))	**100%**	100%	**100%**	100%	Movie production
北京智耘貳零科技有限公司 (Notes b, d & e)	PRC	RMB6,000,000 (2020: N/A)	N/A (Note d) (2020: N/A)	**100%**	N/A	**100%**	N/A	Not yet commence business
臻福珠寶(北京)有限公司 (Notes b & e)	PRC	RMB500,000 (2020: N/A)	RMB500,000 (2020: N/A)	**100%**	N/A	**50%***	N/A	Retailing of gold and jewellery products in Mainland China

* The entities are the wholly owned subsidiaries of CGS and regarded as subsidiaries of the Group (note 5).

Notes:

a) The Company directly holds the interest in Brand New Management Limited and China Gold Silver Group Company Limited. All other interests in subsidiaries shown above are indirectly held by the Company.

b) These companies established in the PRC are wholly owned foreign enterprises.

c) 3D-GOLD Jewellery Co. Ltd. established in the PRC is a sino-foreign joint venture company.

d) Registered capital of the subsidiary was not paid-up as at 30 June 2021 and/or 30 June 2020.

e) These companies were established during the year ended 30 June 2021.

41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

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

Name of subsidiary	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
			2021	2020	**2021**	2020	**2021**	2020
					HK$'000	HK$'000	**HK$'000**	HK$'000
CGS	British Virgin Islands	PRC	**50%**	50%	**1,135**	(56,345)	**(54,827)**	(67,651)

Summarised consolidated financial information in respect of CGS and its subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

CGS and its subsidiaries

	2021	2020
	HK$'000	HK$'000
Current assets	**1,587,967**	1,569,426
Non-current assets	**209,357**	231,228
Current liabilities	**(1,661,866)**	(1,686,621)
Non-current liabilities	**(245,112)**	(249,335)
Deficit attributable to owners of CGS	**(109,654)**	(135,302)
Revenue and other income	**883,085**	813,611
Expenses	**(880,912)**	(928,936)
Reversal of impairment on trade receivables recognised under expected credit loss model	**97**	2,635
Profit/(loss) for the year attributable to owners of CGS	**2,270**	(112,690)
Other comprehensive income/(expense) for the year attributable to owners of CGS	**23,378**	(16,588)
Total comprehensive income/(expense) for the year attributable to owners of CGS	**25,648**	(129,278)
Net cash inflow from operating activities	**45,179**	245,032
Net cash inflow from investing activities	**6,963**	168,905
Net cash outflow from financing activities	**(71,872)**	(434,900)
Net cash outflow	**(19,730)**	(20,963)

42. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the end of the reporting period:

a) On 23 July 2021, special resolutions were passed at a special general meeting as follows:

   i) To consolidate every 10 issued and unissued existing ordinary shares of par value of HK$0.04 each (the "Existing Share") in the share capital of the Company into 1 consolidated share of par value of HK$0.4 each (the "Consolidated Share"); and every 10 issued and unissued preference shares of par value of HK$0.04 each in the share capital of the Company into 1 consolidated preference share of par value of HK$0.4 each (the "Consolidated Preference Share" and collectively the "Share Consolidation").

   ii) To reduce the share capital of the Company through a cancellation of (a) any fractional Consolidated Share in the share capital of the Company that may arise as a result of the Share Consolidation; and (b) the paid-up capital of the Company to the extent of HK$0.399 on each of the issued Consolidated Share such that the par value of each issued Consolidated Share shall be reduced from HK$0.4 each to HK$0.001 each, resulting a new share of par value of HK$0.001 each (the "New Share" and collectively the "Capital Reduction").

   iii) To sub-divide (a) each of the authorised but unissued Consolidated Share into 400 New Share, so that the par value of each unissued Consolidated Share shall be reduced from HK$0.4 each to HK$0.001 each; and (b) each of the authorised but unissued Consolidated Preference Share into 400 new preference shares, so that the par value of each unissued Consolidated Preference Share shall be reduced from HK$0.4 each to HK$0.001 each (collectively the "Share Sub-division).

   The Share Consolidation, the Capital Reduction and the Share Sub-division (collectively the "Capital Reorganisation") were completed and effective on 27 July 2021. Upon the Capital Reorganisation become effective, the exercise prices of share options granted under the 2009 Share Option Scheme are adjusted from HK$0.9152 to HK$9.152 per share option and from HK$0.3232 to HK$3.232 per share option respectively, and the conversion price of CB 2023 is also adjusted from HK$0.15 to HK$1.5 per convertible bond.

Financial Summary

The following is a summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 30 June 2021 HK$'000	Year ended 30 June 2020 HK$'000	Year ended 30 June 2019 HK$'000	Year ended 30 June 2018 HK$'000	Year ended 30 June 2017 HK$'000
Revenue	**855,820**	804,863	1,460,953	1,459,466	1,118,550
Loss before taxation	**(8,628)**	(92,411)	(222,091)	(49,872)	(179,575)
Taxation	**(5,349)**	(26,655)	(8,788)	(18,404)	(7,530)
Loss for the year	**(13,977)**	(119,066)	(230,879)	(68,276)	(187,105)
Total comprehensive expense for the year attributable to owners of the Company	**(14,997)**	(66,660)	(196,060)	(47,654)	(154,821)

	As at 30 June 2021 HK$'000	As at 30 June 2020 HK$'000	As at 30 June 2019 HK$'000	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Total assets	**1,828,079**	1,863,741	2,348,481	2,272,694	1,881,191
Total liabilities	**(1,949,698)**	(1,983,187)	(2,357,628)	(2,076,148)	(1,663,622)
Non-controlling interests	**54,827**	67,651	3,012	(56,795)	(62,430)
(Deficit)/equity attributable to owners of the Company	**(66,792)**	(51,795)	(6,135)	139,751	155,139