SolarTech

Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

2023 Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

COMPANY SECRETARY

CHAN Kam Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 16, 12/F, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

STOCK CODE

1166

WEBSITE

www.1166hk.com

AUDITOR

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

LEGAL ADVISOR

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS (IN ALPHABETICAL ORDER)

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

FINANCIAL RESULTS

The board of directors (the "**Directors**" or "**Board**") of Solartech International Holdings Limited (the "**Company**") announces that for the year ended 30 June 2023 (the "**Financial Year**" or the "**year under review**"), total turnover of the Group was approximately HK$374,316,000, representing a decrease of 20.6% as compared to approximately HK$471,521,000 recorded for the same period of last year. During the year under review, loss attributable to owners of the Company was approximately HK$176,246,000, as compared to loss attributable to owners of the Company of approximately HK$102,218,000 for the same period of last year. Loss per share for the year under review was HK$0.074 (earnings per share for 2021/2022: HK$0.043).

BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK$374,316,000, representing a decrease of 20.6% as compared to approximately HK$471,521,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK$205,120,000, representing a decrease of 31.7% as compared to approximately HK$300,238,000 for the same period of last year and accounting for 54.8% of the Group's total turnover. Turnover of the copper rod business was approximately HK$157,084,000, representing a decrease of 0.5% as compared to approximately HK$157,847,000 for the same period of last year and accounting for 42.0% of the Group's total turnover. Turnover of the leasing business was approximately HK$12,112,000, representing a decrease of 9.9% as compared to approximately HK$13,436,000 for the same period of last year and accounting for 3.2% of the Group's total turnover. Other businesses remained dormant during the year under review.

By geographical market segments, turnover from the business in the Americas decreased by 33.9% to approximately HK$29,548,000 from approximately HK$44,677,000 for the same period of last year, accounting for 7.9% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 13.8% to approximately HK$282,018,000 from approximately HK$327,313,000 for the same period of last year, accounting for 75.3% of the Group's total turnover. Turnover from the business in Europe decreased by 55.2% to approximately HK$33,770,000 from approximately HK$75,413,000 for the same period of last year, accounting for 9.0% of the Group's total turnover. Turnover from the business in other regions increased by 20.2% to approximately HK$28,980,000 from approximately HK$24,118,000 for the same period of last year, accounting for 7.8% of the Group's total turnover.

Cables and Wires

The Group's cables and wires business recorded a turnover of approximately HK$205,120,000 for the year under review, representing a decrease of 31.7% as compared to approximately HK$300,238,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. The decline in the Group's wire and cable business during the year under review was attributable to the decreased demand for home appliances amid the emerging social and economic impacts of China's economic slowdown and the Russo-Ukrainian war in Europe.

CHAIRMAN'S STATEMENT

Copper Rod Business

The Group's copper rod business comprises the trading of copper rods and copper wires and their related products. During the year under review, the turnover of the copper rod business was approximately HK$157,084,000, representing a decrease of 0.5% as compared to approximately HK$157,847,000 for the same period of last year. International copper prices rose during the year under review, with the 3-month London Metal Exchange copper price increasing from approximately US$8,200 per tonne at the beginning of the year under review to approximately US$8,400 per tonne at the end of the year under review. As copper prices went up, the copper rod trading business saw an upward market environment during the year under review. The Group has put more effort into expanding its copper rod business in light of the improved operating environment.

Rental Income

The Group's investment properties mainly comprise industrial properties in Hong Kong and the PRC. During the year under review, rental income was approximately HK$12,112,000, representing a decrease of approximately 9.9% as compared with approximately HK$13,436,000 for the same period of last year. The decrease was due to the disposal of the Group's properties in Kowloon Bay referred to in the section headed "Discloseable Transaction in relation to Disposal of the Properties of Chau's Electrical Property Limited" in this report and the effect of changes in Renminbi exchange rate during the year under review.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. No revenue was recorded for the year under review as these projects did not carry out any production activities.

During the year under review, Mongolia once again proposed amendments to its Minerals Law. The mining industry accounts for a significant portion of Mongolia's economy, but the progress of mineral exploration and development has not been satisfactory, and the industry is still in the early stage of development. The Mongolian government has been trying to adjust its domestic mining policy in order to strengthen the governance of the mining industry and to attract foreign investment. However, overly frequent amendments made by the Mongolian government to its policies and regulations relating to mining development have rendered its policy environment uncertain and highly instable, which increases the risk of investment in the country's mining industry in the short term.

Except for the work required to maintain its mining rights, the Group did not make any large-scale capital investment in respect of its mining business in Mongolia during the year under review. The Group will closely monitor if there will be any impact on us when the new Minerals Law is introduced and will adopt a more prudent investment strategy accordingly. With respect to the new requirements for environmental, social and governance ("**ESG**") reporting, the Board needs to understand the potential impact of climate change and ESG issues on the business model and the associated risks.

PROSPECTS

The construction of the Group's modern factory buildings in Dongguan is close to completion. The Board is reviewing its strategies for allocation and development of the Group's existing land resources, with a view to increasing the Group's income and enhancing returns to shareholders.

With the slowdown of the China's economy and the ongoing Russia-Ukraine war, the Group believes that business environment for wires and cables has become more challenging. The Group will make timely changes to its sales strategy and redirect its resources to other operations to increase sales in the hope of minimizing some of the uncertainties arising from China's economic slowdown and the Russia-Ukraine war.

Looking ahead, the Group will continue to optimise and consolidate its existing operations, actively identify potential business partners and new business opportunities with growth potential to achieve a balanced development with existing business, expand its revenue streams to achieve diversified and sustainable development, and increase shareholder value.

APPRECIATION

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

On behalf of the Board

Chau Lai Him
Chairman and Managing Director

29 September 2023

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAU Lai Him, aged 72, is the Chairman and Managing Director of the Company and the founder of the Group. Mr. Chau has been appointed as an executive Director since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 40 years' experience in the cable and wire industry and extensive experience in the mining industry. Mr. Chau is the father of Mr. Chau Chi Ho, the Deputy Chairman and executive Director.

Mr. CHAU Chi Ho, aged 41, has been appointed as an executive Director since April 2015 and was appointed as the deputy chairman of the Company on 21 June 2019. He is the financial controller of Chau's Electrical Company Limited. He is responsible for accounting and financial management of the subsidiaries of the Group in Hong Kong and Dongguan. He holds a bachelor's degree in business administration from the California State Polytechnic University Pomona, United States and has more than 15 years' experience in finance and accounting. He is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company.

Mr. LIU Dong Yang, aged 49, has been appointed as an executive Director since January 2010. Mr. Liu is responsible for business development and financial management for the Group in the Greater Bay Area in PRC. He holds a college diploma in international finance from Hunan Finance and Economics College and a bachelor's degree in business administration from the distance education college of Renmin University of China. He has more than 25 years' experience in finance and accounting and has more than 20 years' experience in manufacturing management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG KAM Kwong, aged 66, has been appointed as an independent non-executive Director since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a member of the Macau Society of Certified Practising Accountants. He holds a bachelor's degree in economics, majoring in accounting, from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management. He is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

Mr. LO Wai Ming, aged 71, has been appointed as an independent non-executive Director since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has more than 40 years' experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor's degree in social sciences (Hons) and a master's degree in business administration from the Chinese University of Hong Kong. He is a fellow of the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 58, has been appointed as an independent non-executive Director since November 2006. He is the general manager of Sunf Pu Technology Co., Ltd., a company incorporated in Taiwan, Republic of China. He has more than 30 years' experience in the cable and wire industry.

COMPANY SECRETARY

Ms. CHAN Kam Yee, Shirley, aged 63, has been appointed as the company secretary of the Company since November 2007. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She has more than 35 years' experience in finance and accounting and more than 25 years' experience in company secretarial affairs.

SENIOR MANAGEMENT

Ms. LAM Sui Lan, Miranda, aged 54, rejoined the Group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 25 years' experience in sales and marketing in the field of cable and wire products.

Mr. TSUI Lok Kin, aged 42, joined the Group in April 2016 and is the finance manager of Chau's Electrical Co., Ltd. and is responsible for accounting and financial management. He holds a bachelor's degree in business from the Monash University, Australia. He is a member of the CPA Australia and has more than 15 years' experience in auditing, finance and accounting.

Mr. LI Kai Yau, aged 45, joined the Group in July 2019 and is the general manager of Dongguan Qiaozi Chau's Electrical Co., Ltd. ("**Dogguan Qiaozi Chau's**") and Dongguan Hua Yi Brass Products Co., Ltd. ("**Dongguan Hua Yi**"). He is responsible for the overall operations of Dongguan Qiaozi Chau's and Dongguan Hua Yi. He has more than 10 years' experience in manufacturing management.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Group for the year ended 30 June 2023 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the Group is principally engaged in the cables and wires business, copper rod business, property investment business and mining business. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in notes 19, 20 and 21 to the Financial Statements, respectively. An analysis of the revenue from the principal activities during the year ended 30 June 2023 (the "**Financial Year**" or "**the year under review**") is set out in notes 6 and 7 to the Financial Statements. Further discussion and analysis of the operating activities of the Group during the Financial Year, and an indication of likely future developments in the Group's business, as required by Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong), can be found in the sections headed "Chairman's Statement" as set out on pages 3 to 5 of this annual report. Such discussion forms part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk in Mining Business

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. As there are still many uncertainties in the Mongolian and the international mineral markets, apart from the necessary work to maintain mining rights, no large scale capital investment was made during the year under review. The management will closely monitor the investment and mining business risks in Mongolia and make adjustments to the investment strategies accordingly. With respect to the new requirements for environmental, social and governance ("**ESG**") reporting, the Board needs to understand the potential impact of climate change and ESG issues on the business model and the associated risks.

Foreign Exchange Rate Risk

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

Market Risk

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

Interest Rate Risk

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

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE PROPERTIES OF CHAU'S ELECTRICAL COMPANY LIMITED

On 13 July 2022 (after the trading hours), Chau's Electrical Company Limited ("**Vendor A**"), an indirect wholly-owned subsidiary of the Company, as vendor, entered into the following two preliminary sale and purchase agreements:

(a) Workshops Preliminary Agreement

The preliminary sale and purchase agreement with Hongkong Breezy Point Holdings Limited ("**Purchaser A**"), as purchaser, in relation to the sales and purchase of the properties situated at Workshop 7 with 2 lightwell spaces on 2nd Floor ("**Workshop 7**") and Workshop 5 on 1st Floor ("**Workshop 5**"), Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon, Hong Kong, at the consideration of HK$50,000,000 (the "**Workshops Preliminary Agreement**").

(b) Carpark Preliminary Agreement

The preliminary sale and purchase agreement with Mr. Chen Weigang (陳偉鋼) ("**Purchaser B**"), as purchaser, in relation of the sale and purchase of Car Park No. L5 (the "**Parking Space**") on 1st Floor, Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon, Hong Kong, at the consideration of HK$2,500,000 (the "**Carpark Preliminary Agreement**").

The Workshops Preliminary Agreement and the Carpark Preliminary Agreement are collectively referred to as the "**Preliminary Agreements**", Purchaser A and Purchaser B are collectively referred to as the "**Purchasers**", the disposal contemplated under each of the Preliminary Agreements are collectively referred to as "**Disposal A**", and Workshop 5, Workshop 7 and the Parking Space under the Preliminary Agreements are collectively referred to as the "**Properties**".

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchasers and their ultimate beneficial owners are third parties independent of the Group and its connected persons.

Basis of determination of the consideration

The total consideration of HK$52,500,000 for Disposal A under each of the Preliminary Agreements was determined after arm's length negotiation between Vendor A and the Purchasers with reference to the valuation of the Properties conducted by an independent valuer as at 31 December 2021 of approximately HK$59,300,000 (the "**Appraised Value**") and the recent property market conditions in Hong Kong.

The Directors were of the view that (i) Disposal A and the transactions contemplated under the Preliminary Agreements are on normal commercial terms; and (ii) the terms, including the consideration, of the Preliminary Agreements, which were determined after arm's length negotiations between the parties, are fair and reasonable and Disposal A is in the interests of the Company and its shareholders as a whole.

Reasons for and Benefits of Disposal A

In view of the uncertainty and volatility in the local property market due to the persistence of the COVID-19 pandemic as well as the contemplation of increase in interest rate in Hong Kong, there is no guarantee that the Properties will continue to enjoy further capital appreciation. Although the consideration for Disposal A represents a discount of approximately 11.5% to the Appraised Value, the Directors considered that such discount is not unreasonable as Disposal A represents a good opportunity for the Group to realise its investment in the Properties and enhance the liquidity of the Group amid the uncertainty in the local economy.

Use of Proceeds

The Company applied the net proceeds of approximately HK$51,900,000 for repayment of the outstanding principal and accrued interest under the general credit facilities.

Implications under the Listing Rules

As Purchaser B is the spouse of the ultimate beneficial owner of Purchaser A, the transactions under the Workshops Preliminary Agreement and the Carpark Preliminary Agreement are aggregated as a single transaction under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of Disposal A exceed 5%, but are all less than 25%, Disposal A constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Completion of Disposal A

Vendor A and the Purchasers entered into formal agreements for the sale and purchase of the Properties on 28 July 2022 and completion of Disposal A took place on 13 October 2022. Net loss on Disposal A was approximately HK$504,000.

Details of the Disposal A were set out in the announcements of the Company dated 13 July 2022 and 13 October 2022.

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN SHANGHAI CHAU'S ELECTRICAL CO., LTD.*

On 15 March 2023 (after trading hours), Global Pacific Investments Limited ("**Vendor B**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Mr. Zhou Chuang (周闖) ("**Purchaser Z1**") and Mr. Zhou Ronggen (周榮根) ("**Purchaser Z2**") (collectively, the "**Purchasers Z**"). Pursuant to the Equity Transfer Agreement, Vendor B conditionally agreed to sell and the Purchasers Z conditionally agreed to acquire, the entire equity interest in Shanghai Chau's Electrical Co., Ltd.* (上海周氏電業有限公司) (the "**Target Company**") which was legally and beneficially owned by Vendor B, at the consideration of RMB17,250,000 (equivalent to approximately HK$19,492,500) in cash ("**Disposal B**"), subject to the relevant conditions precedent in the Equity Transfer Agreement being satisfied.

Before completion of Disposal B, the Target Company was an indirect wholly-owned subsidiary of the Company and was principally engaged in property holding. It is a limited liability company established under the laws of the PRC on 18 August 1994 with registered capital of US$2,500,000.

The Target Company then legally held the land use right in respect of a parcel of land known as Lot No. Zhujiajiao Town, 3–1 Qiu (朱家角鎮3–1丘) located at No. 6118 of Huqingping Highway, Zhujiajiao Town, Qingpu District, Shanghai, the PRC (中國上海市青浦區朱家角鎮滬青平公路6118號) having a site area of approximately 13,901.00 square metres for industrial use (the "**Land**"). The Target Company is legally interested in various buildings and structures erected on the Land (the "**Factory Complex**") with a total gross floor area of approximately 5,152.00 square metres. The Factory Complex had been leased to an independent third party for a term of five years commencing from 1 August 2019 to 31 July 2024 with an annual rental of RMB500,000.

Pursuant to the Equity Transfer Agreement, 70% of the entire equity interest of the Target Company was to be transferred to Purchaser Z1 at the consideration of RMB12,075,000 and the remaining 30% of the entire equity interest was to be transferred to Purchaser Z2 at the consideration of RMB5,175,000.

Purchaser Z1 and Purchaser Z2 are PRC citizens and private investors. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Purchasers Z are third parties independent of the Group and its connected persons.

Pursuant to the Equity Transfer Agreement, the consideration of RMB17,250,000 (equivalent to approximately HK$19,492,500) (the "**Consideration**") was settled in accordance with the following manners:

(a) an aggregate sum of RMB8,625,000, being the refundable deposit, was paid by the Purchasers Z to the account designated by the Vendor B within one (1) business day after the execution of the Equity Transfer Agreement, of which RMB6,037,500 and RMB2,587,500 were contributed by Purchaser Z1 and Purchaser Z2 respectively; and

(b) the remaining balance of RMB8,625,000 was paid by Purchasers Z to Vendor B no later than 15 days after the Purchasers Z were permitted to transfer the funds for settlement of the Consideration outside the PRC under the relevant foreign exchange control laws and regulations of the PRC, and in any event within 105 days after the execution of the Equity Transfer Agreement, of which RMB6,037,500 and RMB2,587,500 were contributed by Purchaser Z1 and Purchaser Z2 respectively.

Basis of determination of the Consideration

The Consideration for Disposal B was arrived at after arm's length negotiations between Vendor B and Purchasers Z and was determined with reference to (i) the net asset value of the Target Company of approximately RMB17,383,000 as at 31 December 2022 (the "**NAV**"); (ii) the market value of the Factory Complex as appraised by an independent valuer (the "**Appraised Property Value**"), which is equivalent to HK$26,480,000 (equivalent to approximately RMB23,434,000); and (iii) other factors as set out in the paragraph headed "Reasons for and Benefits of Disposal B" below. The Consideration is comparable to the NAV, which is merely a commercial decision of Vendor B and Purchasers Z after arm's length negotiations.

Reasons for and Benefits of Disposal B

The Target Company was principally engaged in the manufacture and trading of cables and wires prior to cessation of these business activities. Since 2014, the Target Company has leased out the Factory Complex. However, the local real estate market has been adversely affected by the outbreak of COVID-19 and the economic uncertainty over the last few years, leading to lower transaction volume and liquidity recently. In addition, the maintenance costs for the aging Factory Complex are high, and the Group has decided to consolidate its resources to manage and maintain its existing properties in Dongguang, Guangdong Province. Coupled with the said trend of relocation of manufacturers, the Directors were of the view that future returns from leasing the Factory Complex may not be favourable.

The Directors were of the view that Disposal B would allow the Group to save considerable amount of maintenance costs, mitigate the risks of the real estate market and re-allocate its financial resources to better uses.

The Directors considered that Disposal B and the transaction contemplated under the Equity Transfer Agreement are on normal commercial terms and the terms of the Equity Transfer Agreement, which were determined after arm's length negotiations between the parties, are fair and reasonable. The Directors considered that Disposal B is in the interests of the Company and its shareholders as a whole.

Use of Proceeds

The aggregate net proceeds of Disposal B, after deducting transaction costs and expenses, were approximately RMB16,985,000 (equivalent to approximately HK$19,000,000). The net proceeds of Disposal B was utilised for repayment of bank loans and general working capital for the Group.

Implications under the Listing Rules

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of Disposal B exceed 5%, but are all less than 25%, Disposal B constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Completion of Disposal B

All conditions precedent under the Equity Transfer Agreement have been fulfilled and completion of Disposal B took place on 30 May 2023.

Following the completion of Disposal B, Vendor B ceased to have any interest in the Target Company and the Target Company ceased to be a subsidiary of the Group.

The details of Disposal B were set out in the announcements of the Company dated 15 March 2023 and 30 May 2023 and in note 33 to the consolidated financial statement of this report.

SIGNIFICANT INVESTMENT

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

CAPITAL STRUCTURE

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

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2023.

ADOPTION OF THE NEW BYE-LAWS

The shareholders of the Company had at the special general meeting of the Company held on 31 May 2022 approved the adoption of the amended and restated bye-laws of the Company (the "**New Bye-laws**" or "**Bye-laws**") by way of a special resolution to (i) reflect and align the Bye-laws with changes to the requirements under Appendix 3 to the Listing Rules which took effect on 1 January 2022; (ii) provide the Company with more flexibility and provide shareholders with the option of attending general meetings through electronic means; and (iii) incorporate certain housekeeping amendments. Details of the amendments to the Bye-laws were set out in the Company's circular dated 6 May 2022.

The full text of the New Bye-laws is available on the Company's website (www.1166hk.com) and the Stock Exchange's website (www.hkexnews.hk).

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Group as well as preserving the interests of its shareholders as a whole. The Company has adopted the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code contained in Appendix 14 to the Listing Rules, save and except for the deviations from Code provisions B.2.3, B.2.4(b), C.2.1 and F2.2, and has prepared the corporate governance report. The Board will continue to review and monitor the practices of the Group with an aim to maintaining the highest standard of corporate governance.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

We have completed our Environmental, Social and Governance ("**ESG**") report which contains our ESG information in 2022/2023 and the requirements under the ESG Reporting Guide of the Listing Rules. The ESG Report of the Company for the year ended 30 June 2023 is set out on pages 40 to 64 of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

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

RESULTS

The results of the Group for the year ended 30 June 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 70 and 71 of this annual report.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2023.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 160 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of additions and other movements during the year ended 30 June 2023 in the property, plant and equipment of the Group are set out in note 15 to the Financial Statements.

SHARE CAPITAL

During the year ended 30 June 2023, no share options were exercised and no new ordinary shares of par value of HK$0.01 each ("**Shares**") in the share capital of the Company were issued during the year ended 30 June 2023.

Details of changes in the share capital of the Company during the year ended 30 June 2023 are set out in note 34 to the Financial Statements.

RESERVES

The Company's distributable reserve as at 30 June 2023 was Nil (30 June 2022: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2023 are set out in the consolidated statement of changes in equity on pages 74 and 75 of this annual report.

RELATED PARTY TRANSACTIONS

During the year ended 30 June 2023, the amount of related party transactions was Nil as disclosed in note 41 to the Financial Statements and such transactions do not constitute any connected transaction under the Listing Rules. There was no other connected transaction of the Company and the Group during the year ended 30 June 2023.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 30 June 2023, the Group implemented a prudent financial management policy. As at 30 June 2023, the Group had cash and bank balances amounting to approximately HK$86 million (30 June 2022: HK$71 million) and the value of net current assets was approximately HK$9 million (30 June 2022: HK$64 million). The Group's gearing ratio as at 30 June 2023 was 0.29 (30 June 2022: 0.31), being a ratio of total borrowings of approximately HK$261 million (30 June 2022: HK$337 million) to shareholders' funds of approximately HK$889 million (30 June 2022: HK$1,089 million).

CHARGES ON GROUP ASSETS

As at 30 June 2023, the Group had pledged investment properties with an aggregate net book value of approximately HK$631 million (30 June 2022: investment properties and property, plant and equipment, of approximately HK$692 million) to secure general banking facilities granted to the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 30 June 2023 are set out in note 30 to the Financial Statements.

CONTINGENT LIABILITIES

As at 30 June 2023, the Company had issued guarantees to the extent of approximately HK$Nil million (30 June 2022 HK$50 million) to secure the total loans of approximately HK$Nil million (30 June 2022: HK$50 million) granted to its subsidiary.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

For the year under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2023 and the changes in fair value were charged to the income statement. The net gain from the Derivative Financial Instruments for the year under review was approximately HK$62,000 (2021/2022: net loss of HK$734,000).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

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

Independent non-executive Directors:

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

Messrs. Chau Chi Ho, Chung Kam Kwong and Lo Wai Ming will retire by rotation from office as Directors at the forthcoming annual general meeting and Messrs. Chau Chi Ho, Chung Kam Kwong and Lo Wai Ming, being eligible, will offer themselves for re-election pursuant to Bye-law 84 of the Bye-laws of the Company.

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

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

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

LITIGATION INVOLVING DIRECTORS OF THE COMPANY

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

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

LITIGATION INVOLVING AN INDIRECT NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY

On 29 September 2023, the Company made an announcement in relation to the litigation involving an indirect non-wholly owned subsidiary of the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The construction works of the land development project of 廉江市周氏石材有限公司 (Lianjiang Zhou's Marble Company Limited*) ("**Zhou's Marble**"), an indirect non-wholly owned subsidiary of the Company, have been suspended since 2020 in light of the unfavorable trading conditions of the building stones industry and COVID-19-related issues. The Board has been recently notified by Zhou's Marble that the constructor of the captioned project (the "**Plaintiff**") filed a claim against Zhou's Marble in the PRC for the settlement of the construction costs and Zhou's Marble was ordered to pay the Plaintiff approximately RMB21,000,000 pursuant to the first instance decision in early July 2023. Zhou's Marble filed an appeal against the decision in late July 2023. As at the date of this report, the appeal is still being scheduled to be heard by the PRC court.

The Group has been in the course of seeking legal advice and will closely monitor the status of the aforesaid proceedings. Further announcement(s) will be made by the Company to keep its shareholders and potential investors informed of any significant development as and when appropriate.

The shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

SHARE OPTION SCHEME

2012 Share Option Scheme

The share option scheme (the "**2012 Share Option Scheme**") was adopted by the Company on 18 December 2012 and expired on 17 December 2022.

Adoption of the New Share Option Scheme

To enable the Company to continue to grant options to eligible participants as incentives or rewards for their contributions to the success of the Group after the expiry of the 2012 Share Option Scheme, the Board convened the 2022 annual general meeting of the Company (the "**2022 AGM**") on 5 December 2022, on which the shareholders of the Company approved the adoption of a new share option scheme (the "**New Share Option Scheme**").

The terms of the New Share Option Scheme were prepared in compliance with Chapter 17 of the Listing Rules and the amendments to Chapter 17 of the Listing Rules which took effect on 1 January 2023. Details of the principal terms of the New Share Option Scheme were set out in the circular of the Company dated 10 November 2022. Subject to the terms of the New Share Option Scheme, it shall be valid and effective for a period of 10 years from 5 December 2022.

The Stock Exchange has granted the approval for the listing of, and permission to deal in, the shares falling to be allotted and issued by the Company pursuant to the exercise of the options under the New Share Option Scheme.

A summary of the New Share Option Scheme is as follows:

Purpose of the New Share Option Scheme	The purpose of the New Share Option Scheme is to provide incentives and/or rewards to Eligible Participants to enable the Company to grant options ("**Options**") to Eligible Participants as incentives or rewards for their contributions and continuing efforts to promote the interests of the Group and to enable the Group to recruit and retain high calibre employees.
Eligible Participant(s)	Eligible participants of the New Share Option Scheme ("**Eligible Participants**") include Employee Participants (as defined below) or Service Providers (as defined below) that the Board considers, in their sole discretion, to have contributed or will contribute to the Group. The Board shall determine the basis of eligibility of each of the Eligible Participants by taking into account such factors as the Board may at its discretion consider appropriate and will assess the eligibility of each of the Eligible Participants on a case-by-case basis. *Employee Participants* Employee Participants include any Director and employee of the Company or any of its subsidiaries (including person(s) who is/are granted shares or options under the New Share Option Scheme as an inducement to enter into employment contracts with the Company or its subsidiary).

Service Providers

Service Providers include any person who provides services to the Company or any of its subsidiaries on a continuing and recurring basis in the ordinary and usual course of business of the Group, the grant of Options to whom is in the interests of the long-term growth of the Group as determined by the Board, namely:

(a) a supplier of goods or services to any member of the Group;

(b) an advisor, consultant, business or joint venture partner, contractor, agent or representative of any member of the Group; and

(c) a person or entity that engages in design and/or research and development work to any member of the Group;

but, for the avoidance of doubt, excluding (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions of the Company or its subsidiaries, and (ii) professional service providers such as the Auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity.

Total number of securities available for issue under the New Share Option Scheme	237,453,234 Shares (The maximum number of Shares subject to the existing scheme mandate limit under the New Share Option Scheme is 237,453,234, which was approved by an ordinary resolution of the shareholders at 2022 AGM), representing 10% of the issued shares as at the date of passing the relevant resolution.

Service Provider Sublimit

As separately approved by the shareholders at the 2022 AGM, the service provider sublimit under all share option schemes of the Company (including the New Share Option Scheme) (i.e. the maximum number of Shares which may be issued upon exercise of all options to be granted to the Service Providers) shall be 3% of the shares in issue as at the date of passing the relevant resolution, i.e. 71,235,970 shares.

Maximum entitlement of each Participant	No Option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 0.1% (for grants to a substantial shareholder, an independent non-executive Director or any of their respective associates) or 1% (for all other Eligible Participants) of the Company's issued share capital from time to time.
Exercise period and vesting period	The exercise period of each Option is to be determined and notified by the Board to each grantee and in any event shall commence on any day after 12 months of the commencement date, subject to any shorter vesting period approved by the Board and/or the remuneration committee of the Company in accordance with the New Share Option Scheme and shall end not later than the 10th anniversary of the relevant commencement date, subject to the provisions for early termination contained in the New Share Option Scheme.
The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made	HK$1.00 is to be paid by each grantee as consideration for each acceptance of grant of Option(s) within 28 days from the date of offer.
Basis of determining the exercise price	The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine but the subscription price shall be at least the highest of: (a) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares of the Company.
Remaining life of the New Share Option Scheme	The New Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional (i.e. 5 December 2022).

SHARE OPTIONS

No share options under the 2012 Share Option Scheme and the New Share Option Scheme were granted, exercised or cancelled during the year ended 30 June 2023 and there were no outstanding share options to subscribe shares of the Company as at 30 June 2023. Apart from the New Share Option Scheme, the Company has not adopted any other similar share schemes of its own as at the date of this report.

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

As at 30 June 2023, the interest of the Directors and their associates in the Shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") are, as follows:

Name of Director	Capacity	Number of Shares held in long position	Percentage of the issued share capital of the Company
Chau Chi Ho	Beneficial owner	39,380,000	1.66%
Lo Wai Ming	Beneficial owner	400,000	0.02%
Lo Chao Ming	Beneficial owner	300,000	0.01%

Other than as disclosed above, as at 30 June 2023, none of the Directors nor the Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Directors and Chief Executive of the Company, as at 30 June 2023, there were no persons (other than the Directors or the Chief Executive of the Company) who had a notifiable interest or short position in the shares or underlying shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" regarding share options of this directors' report, at no time during the year ended 30 June 2023 were rights to acquire benefits by means of acquisition of shares or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 30 June 2023, none of the Directors of the Company had any interest in a business which competes, either directly or indirectly, with the business of the Company or the Group.

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

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2023 or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 June 2023.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2023, the five largest customers of the Group together accounted for approximately 40.9% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 71.7% of the Group's total purchases, with the largest customer accounted for approximately 13.7% of the Group's total turnover and the largest supplier accounted for approximately 25.3% of the Group's total purchases during the year.

At no time during the year ended 30 June 2023 did any of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or five largest suppliers.

PERMITTED INDEMNITY

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

EMOLUMENT POLICY

As at 30 June 2023, the Group had approximately 400 employees in Hong Kong, PRC and overseas (30 June 2022: 400). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

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

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

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

In compliance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employees of the Group in Hong Kong are required to participate in the Mandatory Provident Fund Scheme of the Group (the "**MPF Scheme**"). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, the Group and each of its the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The Group's contributions under the above-mentioned defined contribution retirement plan are expenses as incurred. Moreover, all the employees of the Group's entities incorporated in the PRC participate in employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the local governments.

During the years ended 30 June 2023 and 30 June 2022, the Group had no forfeited contributions under the retirement benefits schemes utilised to reduce its existing level of contributions to the pension plans in future years.

Particulars of the Group's retirement benefits schemes are set out in note 40 to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

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

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting of the Company (the "**2023 AGM**") will be held on Friday, 8 December 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification as shareholders of the Company to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 5 December 2023 to Friday, 8 December 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify as shareholders of the Company to attend and vote at the 2023 AGM, investors are required to lodge all properly completed share transfer documents accompanied by the relevant share certificates with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 4 December 2023.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the end of Reporting Period are set out in note 44 of the Financial Statements.

AUDITOR

The consolidated financial statements of the Company for the Financial Year have been audited by Messrs. BDO Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the 2023 AGM to re-appoint Messrs. BDO Limited as the auditor of the Company.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2023

CORPORATE STRATEGY

Under Code provision A.1.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Code**"), the Board is required to establish the Company's purpose, values and strategy, and ensure that these and the Company's culture are aligned.

Since the year 2013, the Group has adopted the following principle statement as the mission of the Group (the "**Mission**"):

– To provide innovative, quality products with prompt delivery to customers at the most competitive prices (為客戶提供創新的優質產品，不但交貨快捷，而且價格公道)

The Group has established its vision and culture to be the market leader and customers' most preferred supplier in the global wire and cable industry. The Group believes in developing a coherent and harmonised with our stakeholders and strive to provide a life-long learning environment for staff to grow and excel.

The Group endeavors to add value to the society and the environment through responsible and self-conscious actions in its business. The major value of the Group includes:

- Customer First attitude drives the Group to success
- Human Capital develops to its maximum potential
- Advance technology and methods to be employed in R&D
- Uniformity in process and document control
- Superior Quality in products and customer services

CORPORATE GOVERNANCE PRINCIPLES

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a high-quality Board, sound internal controls, and transparency and accountability to all shareholders.

Compliance with the Code Provisions

During the year under review, the Company has adopted the principles and complied with all code provisions and, where applicable, the recommended best practices set out in Appendix 14 of the Listing Rules, save and except for the deviations from Code provisions B.2.3, B.2.4(b), C.2.1 and F.2.2 of the Code which are explained below.

Code provision B.2.3

Under Code provision B.2.3, if an independent non-executive director serves more than nine years on the board of directors, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company.

All independent non-executive Directors have served more than nine years on the Board.

Mr. Chung Kam Kwong ("**Mr. Chung**") has been an independent non-executive Director for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung retired from office by rotation at the 2021 annual general meeting of the Company held on 3 December 2021 (the "**2021 AGM**") and was re-elected by an ordinary resolution of the shareholders at the 2021 AGM. Mr. Chung has been serving as the chairman of the Audit Committee of the Company for more than 20 years and possesses professional qualification in accounting and financial management. Coupled with his in-depth understanding of the Company's operations and business, Mr. Chung has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Chung would not affect his exercise of independent judgement and are satisfied that Mr. Chung has the required character, integrity and experience to continue fulfilling the role of an independent non-executive Director and consider Mr. Chung to be independent. Mr. Chung has offered himself for re-election and a separate resolution will be proposed for his re-election at the 2023 AGM.

Mr. Lo Wai Ming has been an independent non-executive Director for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the 2021 AGM and was re-elected by an ordinary resolution of the shareholders at the 2021 AGM. Mr. Lo Wai Ming has more than 40 years' experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance and an in-depth understanding of the Company's operations and business. Mr. Lo Wai Ming has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Lo Wai Ming would not affect his exercise of independent judgement and are satisfied that Mr. Lo Wai Ming has the required character, integrity and experience to continue fulfilling the role of an independent non-executive Director and consider Mr. Lo Wai Ming to be independent. Mr. Lo Wai Ming has offered himself for re-election and a separate resolution will be proposed for his re-election at the 2023 AGM.

Mr. Lo Chao Ming ("**Mr. Lo**") has been an independent non-executive Director for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo retired from office by rotation at the 2022 annual general meeting of the Company held on 5 December 2022 (the "**2022 AGM**") and offered himself for re-election at the 2022 AGM. Mr. Lo has extensive knowledge and experience in the cable and wire industry, and an in-depth understanding of the Company's operations and business. Mr. Lo has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Lo would not affect his exercise of independent judgement and are satisfied that Mr. Lo has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director and consider Mr. Lo to be independent. An ordinary resolution was passed at the 2022 AGM to approve the re-appointment of Mr. Chung as an independent non-executive Director.

Code provision B.2.4(b)

Under Code provision B.2.4(b), where all independent non-executive directors of an issuer have service more than nine years on the board, the issuer should appoint a new independent non-executive director on the board at the forthcoming annual general meeting starting from the financial year commencing on or after 1 January 2023.

The Company and the Nomination Committee are in the process of identifying a new independent non-executive director taking into account the candidate's experience and the factors prescribed under Rule 3.13 of the Listing Rules, with a view to fulfilling the requirements under Code provision B.2.4(b) in due course. Further announcement(s) will be made in this regard as and when appropriate.

Code provision C.2.1

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

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

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

Code provision F.2.2

Under Code provision F.2.2, the chairman of the Board should attend the annual general meeting of the Company.

During the year under review, Mr. Chau, the Chairman and the Managing Director of the Company, was unable to attend the 2022 AGM as he has stayed in the PRC for about 2 years from March 2021 for the Group's business operations and could not return to Hong Kong due to the COVID-19 pandemic. Mr. Chau Chi Ho, the deputy Chairman of the Company, presided over the 2022 AGM.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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

The Board currently comprises a total of six Directors, with three executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Chau Chi Ho (Deputy Chairman) and Liu Dong Yang and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Mr. Chau Chi Ho is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company. Save as disclosed herein, there is no financial, business, family or other material/ relevant relationship among members of the Board. More details of the biography of each of the Directors are disclosed on page 6 of this annual report. The Board has published and maintained an updated list of the Directors identifying their role and function on the Company's website (www.1166hk.com) and the Stock Exchange's website (www.hkexnews.hk). The Board met regularly throughout the year ended 30 June 2023. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the company secretary of the Company (the "**Company Secretary**") to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

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

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

During the year ended 30 June 2023, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board; one of the independent non-executive Directors is required to possess appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Each of Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming served as an independent non-executive Director for more than nine years and explanation in connection with such deviation from Code provision B.2.3 is set out in the section headed "Compliance with the Code Provisions" of this report. The Company will endeavour to comply with the requirement in Code Provision B.2.4(b) as soon as reasonably practicable.

Continuous Professional Development

Under Code provision C.1.4, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

During the year ended 30 June 2023, all Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

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

Directors' and Officers' Liabilities Insurance

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

BOARD OPERATION

During the year ended 30 June 2023, the Board held 8 Board meetings. The attendance records of each member of the Board at Board meetings and the attendance records of the respective members of the Board at the audit committee meetings, nomination committee meetings, remuneration committee meetings, whistleblowing committee meetings and the general meetings are set out below:

	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	Whistleblowing committee meetings	Board meetings	2022 AGM
Executive Directors						
Chau Lai Him	–	1	–	–	8	–
Chau Chi Ho	–	–	–	–	8	1
Liu Dong Yang	–	–	–	–	8	–
Independent non-executive Directors						
Chung Kam Kwong	4	1	1	1	7	1
Lo Wai Ming	4	1	1	1	7	1
Lo Chao Ming	4	1	1	1	7	–

During the year ended 30 June 2023, the Company did not hold any special general meeting.

In place of physical meetings, the Board and Board committees also circulate written resolutions for approval by the relevant members of the Board and Board committees except for matters where a substantial shareholder or a Director has a conflict of interest which the Board has determined to be material in compliance with Code Provision C.5.7.

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

Board Independence Evaluation Mechanism

Under Code provision B.1.4 of the Code, the Board has adopted the board independence evaluation mechanism (the "**Mechanism**") which sets out the principles and guidelines for the Company to ensure independent view and input to be available to the Board.

Continuing improvement and development of the Board of the Company and its committee processes and procedures through Board independence evaluation provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximising strengths, and identifying the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

The Mechanism is designed to ensure a strong independent element on the Board of the Company, which allows the Board to effectively exercise independent judgment to better safeguard shareholders' interests.

The Mechanism took effect on 8 April 2022 and its full text is available on the Company's website and the Stock Exchange's website.

Audit Committee

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

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

During the year ended 30 June 2023, the Audit Committee held 4 meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management and the external auditor, the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 30 June 2023 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 30 June 2023.

Nomination Committee

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

The Board has adopted the director nomination policy in compliance with the mandatory disclosure requirement E.(d) (iii) of the Code pursuant to which the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report.

The nomination process is summarised, as follows:

(a) Appointment of new Director

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

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

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

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

(b) **Re-election of Director at general meeting**

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

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

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

During the year ended 30 June 2023, the Nomination Committee held one meeting and all committee members were present at the meeting. The Nomination Committee has determined the policy for the nomination of Directors, the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and senior management.

Pursuant to the Bye-laws of the Company, all Director are appointed by the Board, whether to fill a casual vacancy or as an addition to the Board, shall hold office until the next annual general meeting at which time they must retire and be subject to re-election. Every Director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Bye-laws. The Bye-laws also allow for removal of a Director by an ordinary resolution.

The Board recommended the re-appointment of the Directors standing for re-election at the 2023 AGM. The Company's circular to be despatched to the shareholders will contain detailed information of the Directors standing for re-election.

Remuneration Committee

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

During the year ended 30 June 2023, the Remuneration Committee held one meeting and all committee members were present at the meeting. The Remuneration Committee has reviewed the remuneration packages of all executive Directors and senior management, assessed performance of executive Directors and senior management, made recommendations to the Board in connection with the remuneration of the non-executive Directors and considered matters in relation to the implementation of the New Share Option Scheme. During the year ended 30 June 2023, no grant of options under the 2012 Share Option Scheme or the New Share Option Scheme was made. Details of the emoluments of the Directors are set out in note 9 to the Financial Statements.

Whistleblowing Committee

The whistleblowing committee of the Company (the "**Whistleblowing Committee**") comprises the head of internal audit and three independent non-executive Directors, namely Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. The chairman of the Whistleblowing Committee is the head of internal audit. The terms of reference for the Whistleblowing Committee set out, among other matters, the reporting and investigation procedures for the employees of the Group and those who deal with the Company to raise concerns about possible improprieties in matters related to the Group. A copy of the terms of reference of the Whistleblowing Committee is available on the Company's website and the Stock Exchange's website. The Whistleblowing Committee shall meet at least once a year.

Pursuant to Code Provision D.2.6 of the Code, the Board has adopted the whistleblowing policy (the "**Whistleblowing Policy**") which enables the Company's employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Whistleblowing Committee, about possible improprieties in matters related to the Company, in order to help detect and deter misconduct or malpractice or unethical acts in the Company.

The Whistleblowing Policy has become effective since 8 April 2022 and its full text is available on the Company's website and the Stock Exchange's website.

During the year ended 30 June 2023, the Whistleblowing Committee held one meeting with all committee members present at the meeting and reviewed the Whistleblowing Policy. The Whistleblowing Policy continues to be adopted in the forthcoming financial year. The Whistleblowing Committee will continue to review the Whistleblowing Policy to improve its effectiveness and employee confidence in the process and to encourage a "speak up" culture across the Group.

CORPORATE GOVERNANCE FUNCTION

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

(a) developing, reviewing and implementing the Company's policy and practices on corporate governance;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(e) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

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

During the year ended 30 June 2023, the corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

COMPANY SECRETARY

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

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

During the year ended 30 June 2023, Ms. Chan has attended relevant professional seminars to update her skills and knowledge and has complied with the Listing Rules to take no less than 15 hours of relevant professional training.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the year ended 30 June 2023, complied with the required standards set out therein.

Share Interests of Senior Management

As at 30 June 2023, none of the senior management of the Company (whose biographical details are disclosed on page 7 of this annual report) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

During the year ended 30 June 2023, the Company engaged an external independent consultant to conduct a review on the effectiveness of the risk management and internal control systems over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and effectiveness of financial reporting and compliance with the Listing Rules. The Board considered that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate. The Board has reached the conclusion that the Group's risk management and internal control systems were adequate and effective.

AUDITOR'S REMUNERATION

The Company's external auditor is BDO Limited. There has been no change in the Company's external auditors for the preceding three years.

During the year ended 30 June 2023, the remunerations paid/payable to BDO Limited for audit of the Group's annual financial statements and agreed-upon procedures on the Group's interim financial information were HK$1,900,000 and HK$250,000 respectively (2022: HK$1,900,000 and HK$250,000 respectively).

BOARD DIVERSITY POLICY

The Board has adopted the new board diversity policy (the "**Board Diversity Policy**") in compliance with the mandatory disclosure requirements J of the Code.

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

The Board currently contains a single gender board. Taking into account the new requirements under the Code in respect of long-serving independent non-executive Directors in addition to the board diversity requirement, the Board is in the process of identifying appropriate candidates and will endeavour to achieve board diversity under Rule 13.92 of the Listing Rules with at least one female Director in due course and in any event no later than 31 December 2024 in accordance with the timeline specified in the Rule.

DIVIDEND POLICY

The Board has adopted the dividend policy (the "**Dividend Policy**") in compliance with the Code Provision F.1.1 in the Code as contained in Appendix 14 of the Listing Rules.

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

(a) financial results;

(b) cash flow situation;

(c) business conditions and strategies;

(d) future operations and earnings;

(e) capital requirements and expenditure plans;

(f) interests of shareholders;

(g) any restrictions on payment of dividends; and

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

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

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

ANTI-CORRUPTION POLICY

Under Code provision D.2.7 of the Code, the Board is required to establish an anti-corruption policy and system that promote and support anti-corruption laws and regulations.

The Board has adopted the anti-corruption policy (the "**Anti-Corruption Policy**") which sets out the principles and guidelines for the Company to promote and support anti-corruption laws and regulations.

The Anti-Corruption Policy sets out the basic standard of conduct which applies to all directors, officers and employees of the Company and its wholly owned subsidiaries (collectively known as "**employees**"). It also provides guidance to all employees on acceptance of advantage and handling of conflict of interest when dealing with the Company's business. The Company also encourages and expects our business partners including suppliers, contractors and clients to abide by the principles of the Anti-Corruption Policy.

The Anti-Corruption Policy has become effective since 8 April 2022 and its full text is available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

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

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

Any one shareholder has the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a shareholder is required, by the Listing Rules, or the rules, codes or regulations of any competent regulatory authority, to abstain from voting to approve the matter under consideration.

Procedures by which Shareholders may Convene a Special General Meeting

Pursuant to the Bye-laws of the Company, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held in the form of a physical meeting only and 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 convene such physical meeting in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Procedures for Putting Forward Proposals at Shareholders' Meetings and Directing Shareholders' Enquiries to the Board

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

Solartech International Holdings Limited
Unit 16, 12/F, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong
E-mail: enquiry@solartech1166.com
Tel no.: (852) 2796 1628
Fax no.: (852) 2799 9835

Shareholders' Communication Policy

Under paragraph L of the Code, the Board is required to conduct annual review of the shareholders' communication policy of the Company (the "**Shareholders' Communication Policy**") to ensure its effectiveness and make disclosure in the corporate governance report.

The full text of the Shareholders' Communication Policy is available on the Company's website and the Stock Exchange's website.

The Shareholders' Communication Policy was reviewed by the Board during the year ended 30 June 2023 to ensure its effectiveness and continues to be adopted in the forthcoming financial year. Taking into account the steps taken at the general meetings, the handling of queries received and the multiple communication channels in place, the Board is of the view that such policy is effective and has been properly implemented during the year ended 30 June 2023.

Voting by Poll

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

INVESTOR RELATIONS

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

The Anti-Corruption Policy, Whistleblowing Policy and Board Independence Evaluation Mechanism have become effective since 8 April 2022 and their full text are available on the Company's website and the Stock Exchange's website.

Save as disclosed in this report, there was no change in the Company's constitutional documents during the year ended 30 June 2023.

Constitutional Document

With a view of (i) reflecting and aligning with changes to the requirements under Appendix 3 of the Listing Rules which took effect on 1 January 2022; (ii) providing the Company with more flexibility and providing shareholders with the option of attending general meetings through electronic means; and (iii) incorporating certain housekeeping amendments, a special resolution for adopting the New Bye-laws was passed at the special general meeting which was held on 31 May 2022. The full text of the New Bye-laws is available on the Company's website and the Stock Exchange's website.

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Company has prepared its Environmental, Social and Governance Report ("**ESG Report**") for the year ended 30 June 2023 in accordance with the Environmental, Social and Governance ("**ESG**") Reporting Guide (the "**ESG Guide**" or the "**Guide**") as set out in Appendix 27 to the Listing Rules.

The ESG Report of the Company for the year ended 30 June 2023 is set out on pages 40 to 64 of this annual report.

GENERAL

The Directors acknowledge their responsibility in preparing the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Company and in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 30 June 2023, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 65 and 69 of this annual report.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

(I) Purpose

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

(II) Scope of Report

In response to market changes, the Group has stream-lined its operation and focused on its core business, namely (i) manufacturing and trading of cables and wires, (ii) trading of copper rods, and (iii) property investment. Each business segment of the Group has a different impact on the environment and society.

This ESG Report mainly includes data and activities of the two factory offices in Dongguan City, Guangdong Province, the People's Republic of China (the "**PRC**") (the "**Dongguan Factory Offices**"), unless otherwise stated.

(III) Basis of Preparation

This ESG Report is compiled in accordance with the ESG reporting guide contained in Appendix 27 – Environmental, Social and Governance Reporting Guide ("**Appendix 27**" or "**ESG Reporting Guide**") of the Rules Governing the Listing of Securities on HKEx. The content of this ESG Report includes two main subject areas as outlined and required by the ESG Reporting Guide, being Area A – Environmental and Area B – Social and further includes the disclosure of climate change related issues, which have or may impact the Group.

This ESG Report, which has been reviewed and approved by the board of the Company (the "**Board**"), both reviews and reports the core business operations and activities of the Group and follows the principles of materiality, quantitative, balance, and consistency to disclose relevant statistics and information. The ESG Report was compiled in compliance with the "comply or explain" provisions in the ESG Reporting Guide.

(IV) Reporting Period

This report is for the period from 1 July 2022 to 30 June 2023 (the "**2023 Reporting Period**").

(V) Corporate Goals and Visions

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

(VI) ESG Management

Throughout the 2023 Reporting Period, the Group maintained the same ESG management structure and process as the last reporting period (from 1 July 2021 to 30 June 2022, the "**2022 Reporting Period**"). The Board of the Group is responsible for formulating and setting goals and targets, approving strategic direction and policies, and monitoring performance including ESG issues. Our ESG strategies, management policy and approach are based on compliance with relevant legal and regulatory requirements, the principle of sustainability and maximization of interests and benefits of investors and stakeholders. The Group's visions and goals, and the ESG management policy and approach, can be summarised in the following statements:

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

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

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

Overall, the Group takes an active role in ensuring sustainable, environmentally friendly and socially harmonizing productions and operations by employing various measures which are compliant with relevant laws, operating practices and standards. The Group continues to uphold our established environmental friendly and socially sustainable and equitable management system. The adoption and application of the Quality Management System (ISO 9001:2015) has proven to be effective in ESG management.

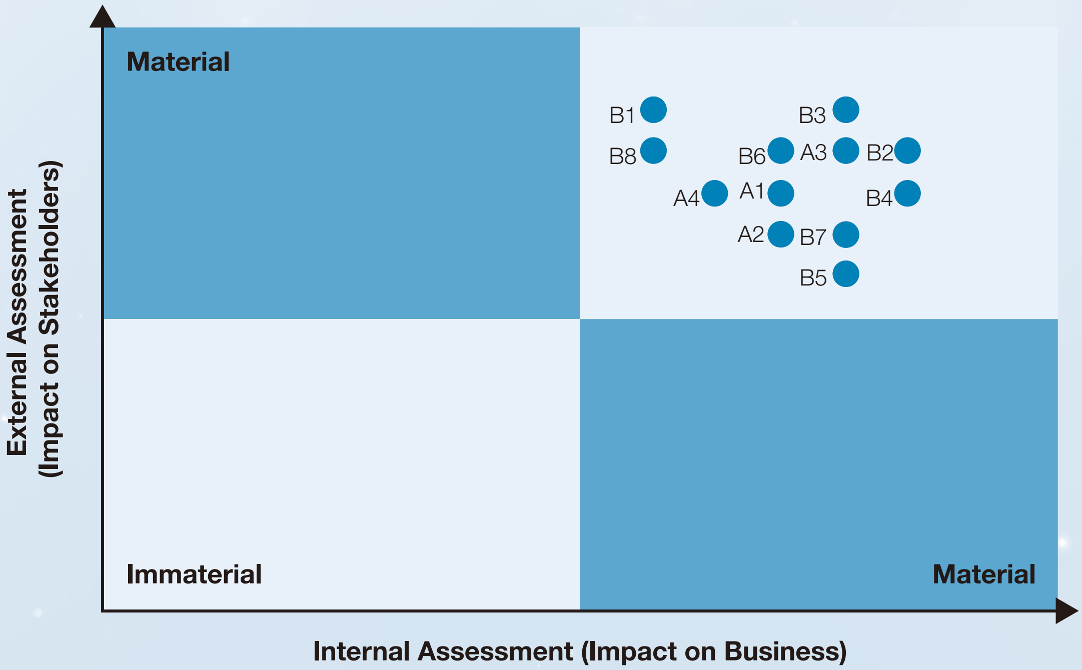
(VII) Stakeholders Communications and Materiality

The Group is committed to be a socially responsible corporation through constant interaction with stakeholders and taking into account of their interests and benefits. We have been building the Group as an open, transparent and fair enterprise with due consideration of the environmental and social responsibilities with its business objectives. We have also been working towards achieving long-term sustainable growth of our business while safeguarding stakeholders' interests. The Board has taken into account the listed environmental and social areas and aspects in the ESG Reporting Guide which are significant considerations for its business planning and operation, and has integrated those environmental and social considerations into its business objectives, strategies and practices.

In managing the priorities, the Group continues to ensure its corporate, cable and wires and copper rods manufacturing and trading operation are in compliance with their environmental and social responsibilities, and obligations as required by the ESG Reporting Guide and the laws and related regulations of the Hong Kong Special Administrative Region ("**Hong Kong**") and the PRC. The Group also continues to take into account of the opinions and views of its stakeholders including shareholders, investors, employees, customers, suppliers, service providers, professional advisors, non-governmental organization ("**NGO**") partners and industry associations, and strives to address their concerns. It is the duty of the Managing Director and related frontline managers to constantly communicate with its stakeholders under the following established channels in order to gain insights on ESG material areas and aspects during the 2023 Reporting Period.

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

Through regular communications with stakeholders and reviewing of the information collected, the Group has identified the following ESG material areas and aspects indicated in the following table:



Subject Areas		**Subject Aspects**
Environmental		A1. Emissions
		A2. Use of Resources
		A3. Environment and Natural Resources
		A4. Climate Change
Social	Employment and Labour Practices	B1. Employment
		B2. Health and Safety
		B3. Development and Training
		B4. Labour Standards
	Operating Practices	B5. Supply Chain Management
		B6. Product Responsibility
		B7. Anti-corruption
	Community	B8. Community Investment

The Group has managed them strictly in accordance with the established management structure, process, policies and guidelines and in compliance with the relevant legal and regulatory standards:

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

The ESG issues, performances, and the related KPIs during the 2023 Reporting Period, especially on the above material areas and aspects, continue to be monitored and managed through the Group's approved management structure and process. With an allocation of adequate resources to implement the approved strategies, policies and measures, the Group has honoured its environmental and social obligations and responsibilities especially on the above material areas and aspects during the 2023 Reporting Period, which are summarised below.

MATERIAL AREAS AND ASPECTS AND THEIR PERFORMANCES

(A) ENVIRONMENTAL AREAS AND ASPECTS

1.1 Environmental Areas Overview and Policies

The Group's main environmental target has always been environmental protection with sustainable development in relation to its ongoing business activities and operations. The Group has continued to implement policies and taken measures to ensure our activities and operations to be energy, water and resources saving, and to prevent pollution, reduce wastes and minimise the negative impacts on and harmonise with the environment. During the process of formulating the environmental policies and measures, all activities and operations likely to cause environmental impact or impact on general sustainability such as the use of energy, water, raw materials and other natural resources, air emissions, water discharge and waste disposal have been considered. The Group has also actively assumed social responsibilities to reduce pollution through installation of the latest production equipment. The Group has compiled with all the national and local environmental laws, rules and regulations, and been issued with the Pollutant Discharge License of Guangdong Province (License No.: 粵莞排(2020)字第1100558號) since September 2020. All of our employees have been made aware of their responsibilities and respective roles in conserving natural resources and protecting the environment.

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group was not subject to any confirmed cases for breaching environmental legislations or receiving complaints from any government environmental agencies and local communities in relation to emission and waste discharges or other environmental issues that could have an adverse impact on the local environment.

1.2 Environmental Aspects

A1: Air Emissions, Polluted Water and Waste Discharge Aspect

During the 2023 Reporting Period, same as the 2022 Reporting Period, the types of emissions, wastes and discharge from the Group's operations and activities were mainly air pollutants including nitrogen oxide ("**NO_x**"), sulphur oxides ("**SO_x**") and particulate matter ("**PM**") as well as greenhouse gases ("**GHG**") such as carbon dioxide ("**CO_2**") and its non-hazardous equivalents including nitrous oxide and methane (collectively with CO_2, "**CO_2e**") emissions directly generated from fuel usage of the Group's self-used office vehicles; indirectly generated from electricity consumption; polluted water discharge from factories and office employees' daily hygiene consumption; and non-hazardous packaging wastes such as used papers and packaging materials, office residuals, general rubbish and hygiene wastes.

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group did not receive any complaints or warning notice from relevant environmental agencies or local community on our direct hazardous emissions.

(i) Direct Hazardous Air Emissions and Indirect Greenhouse Gas Emissions

Greenhouse gases (GHG) include CO_2 and its non-hazardous equivalents including nitrous oxide and methane (collectively, CO_2e). Greenhouse gas emissions comprise Scope 1 direct emissions, which is direct emissions from the fuel combustion in vehicles, and Scope 2 energy indirect emissions, which is emissions resulting from the use of purchased electricity.

Same as the 2022 Reporting Period, indirect emission of namely GHG-CO_2 through the use of electricity for powering plastic extruding and injection machines for manufacturing of electric cable wire and the offices remain to be the main source of air emissions for the 2023 Reporting Period.

The table below recorded and compared the 2023 Reporting Period and the 2022 Reporting Period's resultant air pollutant emissions from the combustion of fuels by motor vehicles and the use of electricity:

		Year ended 30 June		
Items of emissions[Note 1]	**Unit**	**2023**	**2022**	**Changes**
NO_x direct emission	Kilograms	38.16	30.07	+26.90%
SO_x direct emission	Kilograms	0.16	0.16	+3.17%
PM direct emission	Kilograms	3.42	2.68	+27.61%
CO_2 direct emission	Tonnes	25.75	24.96	+3.17%
CO_2e direct emission	Tonnes	29.02	28.13	+3.16%
CO_2 indirect emission[Note 2]	Tonnes	1,746.89	1,837.59	–4.94%

* Figures above are subject to rounding.

Note 1: Emission factors for calculations in this ESG Report were made reference to the "How to prepare an ESG Report- Appendix 2: Reporting Guidance on Environmental KPIs (version updated on 25 March 2022)" by The Stock Exchange of Hong Kong Limited, unless otherwise specified.

Note 2: Emission factors for purchased electricity sourced from 中國產品全生命週期溫室氣體排放系數庫.

		Year ended 30 June		
Greenhouse Gas Emission	**Unit**	**2023**	**2022**	**Changes**
Scope 1 (CO_2e)	Tonnes	29.02	28.13	+3.16%
Scope 2 (CO_2e)	Tonnes	1,746.89	1,837.59	-4.94%
Total (CO_2e)	Tonnes	1,775.91	1,865.72	-4.81%

In the coming year, the Group targets to reduce 1–2% air pollutants and CO_2e emissions performance in the Dongguan Factory Offices, by implementing various environmental initiatives stated in Section A2(i).

(ii) Waste Water Discharge

During the 2023 Reporting Period, same as 2022 Reporting Period, cooling water used in our manufacturing processes is the main source of the Group's waste water discharge. By adopting a close circulating system, most of the cooling water will be reused with minimal wastage or discharge. Waste water is also generated from dormitories, canteens and offices for hygiene uses of employees, whom are constantly reminded to avoid unnecessary wastage.

(iii) Hazardous and Non-Hazardous Wastes

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

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

Non-hazardous waste generated from the production processes mainly consist of packaging materials, such as carton boxes and paper used in our manufacturing operations. An insignificant amount of non-hazardous materials is also generated from non-production areas such as supporting offices, dormitories and canteens. All such wastes are collected and disposed of by external waste collectors. The amount of paper and packaging material usage is stated in Section A2(iii).

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group did not have any violation related to hazardous or non-hazardous wastes.

In the coming year, our policies will continue, and we expect our non-hazardous wastes will continue to be insignificant and handled properly.

(iv) Noise and Light Emissions

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group's operations and activities did not generate any noises and light emissions affecting the neighbour and the local community, and no complaints nor warning notices were received.

A2: Use of Resources

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

(i) Electricity & Fuel Consumption

Electricity is used mainly for operating the factory premises and the production equipment and employee dormitories in the PRC. Fuel consumption mainly arises from the motor vehicles owned by the Dongguan Factory Offices.

The table below recorded and compared the 2023 Reporting Period and the 2022 Reporting Period's resultant energy consumption:

		Year ended 30 June		
Energy Consumption		**2023**	**2022**	**Changes**
Electricity Consumption	Consumption (kWh)	3,064,715.00	4,114,625.00	-25.52%
	Intensity (kWh/employee)	9,094.11	10,972.33	-17.12%
Petrol	Consumption (Litres)	10,909.71	10,575.72	+3.16%
	Consumption (kWh)	105,729.99	102,493.17	+3.16%
	Intensity (kWh/employee)	313.74	273.32	+14.79%
Total	Consumption (kWh)	3,170,444.99	4,217,118.17	-24.82%

During the 2023 Reporting Period, efforts were made to encourage employees to use electricity efficiently, resulting in a reduction in electricity consumption compared to the 2022 Reporting Period. Additionally, the Group's factory buildings are currently under construction, contributing to the decrease in electricity usage.

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

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

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

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

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

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

In the coming year, the Group will continue to encourage and monitor our employees on energy saving practices, and target to lower the energy consumption by 2–3%.

(ii) ***Water***

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

Local city municipal supply is the only viable water source available to the Group as far as our production processes and household uses are concerned and we do not have any problem on sourcing of our water needs.

The table below recorded and compared the 2023 Reporting Period and the 2022 Reporting Period's resultant water consumption in Dongguan Factory Offices:

		Year ended 30 June		
Water Consumption	**Unit**	**2023**	**2022**	**Changes**
– Dongguan Factory Offices	m^3	24,836.00	33,066.00	-24.89%
Intensity (m^3/employee)		73.70	88.18	-16.42%

The Group's factory buildings are currently under construction, contributing to the decrease in water usage during the 2023 Reporting Period.

For the coming year, the Group targets to continue the decreasing trend and to achieve an overall reduction of water consumption by 1–2% under normal operating conditions.

(iii) Packaging Materials and Papers Consumption

For packaging paper and plastic raw materials, the Group has continued the policy of giving priority to the use of recycled papers and plastic wraps. Any used packaging materials and scraps will be collected and sold as used and scrap materials to recycling and waste operators. While in our offices and factories, the Group has continued to encourage the office staff and factory workers to reduce paper consumption as much as possible through the use of electronic tools such as emails, messages and universal serial bus storage to replace paper files, sketches and letters; to print paper on both sides; and to use recycled paper.

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group did not find any abnormal or excessive consumption of printing paper and packaging materials.

The table below recorded and compared the 2023 Reporting Period and the 2022 Reporting Period's packaging materials and papers consumption:

		Year ended 30 June		
Raw Materials Consumption	**Unit**	**2023**	**2022**	**Changes**
– Paper	Tonnes	0.69	1.00	-31.00%
– Packaging Material (Carton Boxes)	Pieces	3,153,615	3,397,545	-7.18%

Compared to the 2022 Reporting Period, efforts were made to encourage employees to use paper efficiently in order to foster a paperless work environment during the 2023 Reporting Period, leading to a decrease in paper usage.

A3: Environment and Natural Resources

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

As a summary, during the 2023 Reporting Period, same as the last few reporting periods, the Group has taken a totally responsible approach to implement policies and measures on electricity, water, packaging paper, raw plastic materials consumption, CO_2e emissions, waste water and general waste discharges. The Group was not subjected to any warnings, fines or violation notices, and was in compliance with all applicable environmental protection laws and regulations in all material aspects since the first ESG reporting. The Group will continue to explore new avenues and means to accomplish our goals of conserving natural resources and protecting the environment.

A4: Climate Change

Climate change is mainly caused by the release of CO_2e into the atmosphere, which is directly and indirectly the result of the use of fossil fuels for electricity generation and fuels for transportation. As the world transitions to a lower-carbon sustainable economy, there are inevitable areas that our Group can contribute to this.

As listed in the sections headed "Stakeholders Communications and Materiality" and "Material Areas and Aspects", the Group fully aware that stakeholders expect us to manage and mitigate climate change risks. In light with the current global environmental conditions and the Group's operations and activities, the Board identifies that global warming and reduction on electricity, fuel, water and paper packaging material will be the most important and immediate areas that may impact the Group and the environment. These four areas will not only affect the operation costs of the Group, they will also impact directly or indirectly on the global environmental conditions, and the Group should tackle them for the purposes of combating climate change and reduce the operation costs in the future.

(i) ***CO_2e Emissions***

As explained above, during the 2023 Reporting Period, the Group indirectly emitted GHG-CO_2 through electricity consumption for its operations and production and directly emitted CO_2e through fuel consumption for the Group's self-used vehicles. The Group has already implemented extensive policies and measures to reduce the use of electricity throughout the factories, employee dormitories and office. With a reduction in electricity consumption, less energy will be required, and less fossil or crude oil fuel will be used by the power plants, and less CO_2e will be generated accordingly. The Group will also continue to invest in more energy efficient processes and equipment in the near future.

(ii) ***Water***

As explained above, during the 2023 Reporting Period, the Group has already taken measures to supervise and encourage employees to use water more efficiently in order to reduce its consumption for the purpose of conserving water, which will possibly bring back a balance to the global atmospheric condition.

(iii) ***Paper Packaging Materials***

As explained above, during the 2023 Reporting Period, the Group has already implemented policies and measures to reduce papers consumption and to use recycled papers as far as possible, which will directly reduce the cutting of trees. The Group at the same time has supported low-carbon activities and activities to re-grow the forest, which is the main tool to reduce carbon directly to curb global warming.

For the 2023 Reporting Period, the Group's business operations and activities did not lead to any events or issues that might impact the climate or result in the change of the climate significantly. The Group has already taken measures to lower CO_2e emissions, and to reduce water and paper and paper-related packaging materials usage with a wish to curb global warming. The Group will continue with such policies and measures for the coming year.

(B) SOCIAL AREAS AND ASPECTS

2.1 Social Areas Overview

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

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

2.2 Employment and Labour Practices Areas and Aspects

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

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

B1: Employment

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

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

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

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

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

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

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

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

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

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

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group has complied with all the employment laws, rules and regulations of the PRC and Hong Kong, and has honored all its obligations to employees including the payment of salaries and wages, holidays and leaves, compensations, insurances and health benefits. There were no wage disputes or complaints, breaches of the labour laws or labour disputes recorded.

Pursuant to the ESG Reporting Guide, the Group's employment situation for 2023 Reporting Period and 2022 Reporting Period are analyzed and summarised in below:

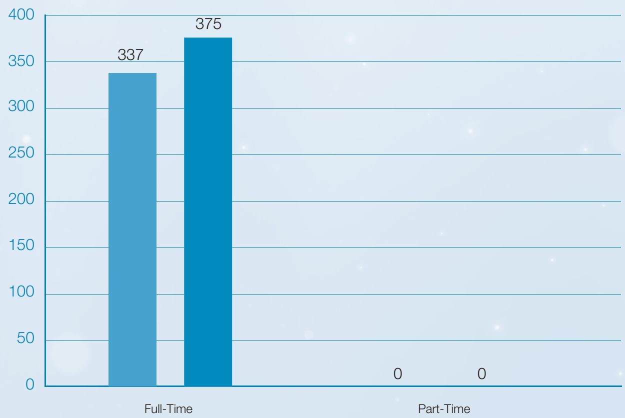


Figure 1: Number of Employees by Employment Type

2023 2022

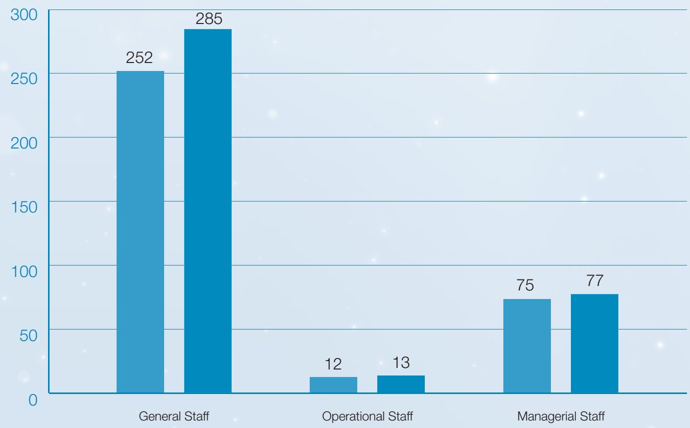


Figure 3: Number of Employees by Employment Category

2023 2022

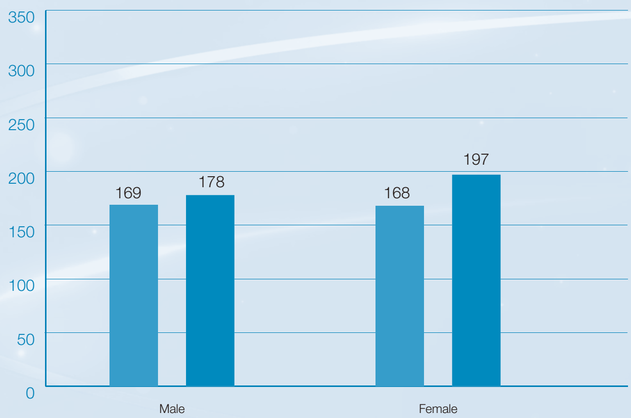


Figure 2: Number of Employees by Gender

2023 2022

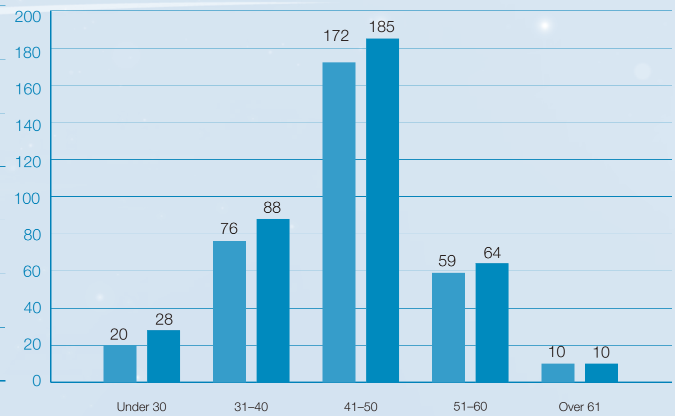


Figure 4: Number of Employees by Age

2023 2022

As for the employee turnover rate, an analysis of the Group's employee turnover rate breakdown for the 2023 Reporting Period and 2022 Reporting Period are summarised in below:

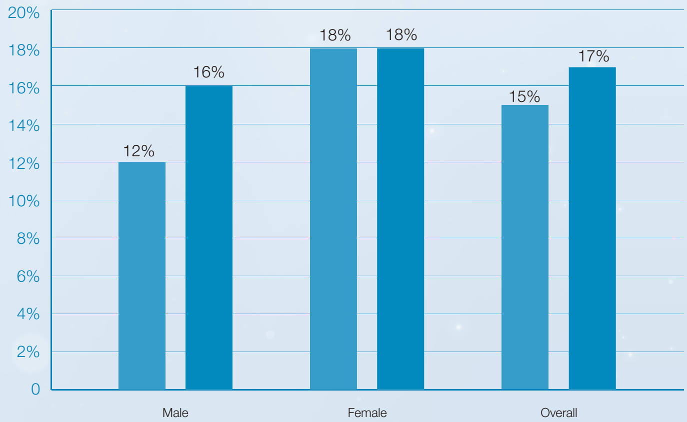


Figure 5: Employment Turnover Rate by Gender

2023 2022

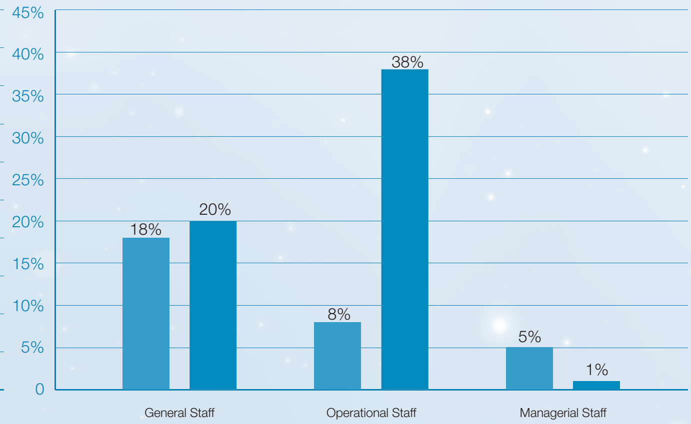


Figure 6: Employment Turnover Rate by Employment Role

2023 2022

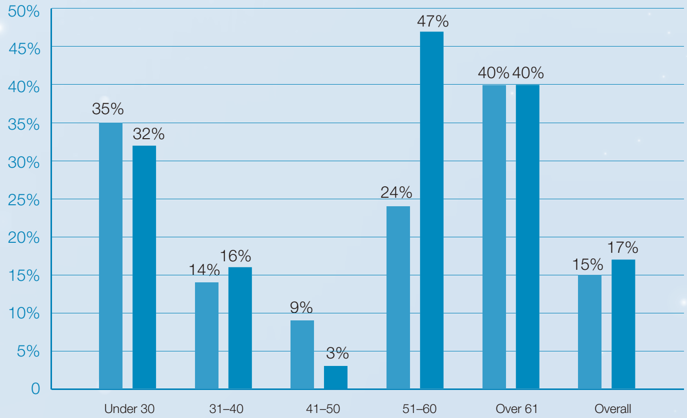


Figure 7: Employment Turnover Rate By Age

2023 2022

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

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group did not have any incidents of non-compliance with relevant employment laws and regulations nor any labour disputes.

B2: Health and Safety

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

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

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

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

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

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

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

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group has equipped its factory operations with all the required safety equipment and facilities and there was no adverse comment by the law enforcing authorities during their inspections and no prosecution case was reported.

The Group had zero work-related fatalities in the past three years including the 2023 Reporting Period in any of our operations. During the 2023 Reporting Period, same as the 2022 Reporting Period, zero lost days due to work-related injuries was recorded, nor any claimed disputes on employees compensation or investigation by any government agencies.

Regarding work injury and accident, there were 7 light injury cases during the 2023 Reporting Period (For 2022 Reporting Period: 6 cases), no serious injuries, or incidents of non-compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards which could have a significant impact on the production operations or businesses of the Group. The injuries had been well taken care of immediately after their occurrence, and no disputes or claims arose thereafter. The low injury and accident rates during the 2023 Reporting Period as well as the 2022 Reporting Period reconfirms that the Group's health and safety policies and measures and its continuous attention to set up a safe environment was effective.

B3: Development and Training

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

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

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

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

Below is the breakdown of the percentage of employees trained during the 2023 Reporting Period and 2022 Reporting Period by gender and employment role:

Training (No. of employees)	Internal	External
Percentage of employees trained		
2023	100.00%	–
2022	100.00%	–
Male		
2023	50.15%	–
2022	47.47%	–
Female		
2023	49.85%	–
2022	52.53%	–
Managerial staff		
2023	21.66%	–
2022	20.53%	–
Operational staff		
2023	3.56%	–
2022	3.47%	–
General staff		
2023	74.78%	–
2022	76.00%	–

Below is the breakdown of the hours of training undergone by the Group's employees during the 2023 Reporting Period and 2022 Reporting Period by gender and employment role:

Average training hours per employee	Internal	External
Total average training hours per employee		
2023	3.34	–
2022	2.48	–
Average training hours for male		
2023	3.73	–
2022	2.48	–
Average training hours for female		
2023	2.94	–
2022	2.48	–
Average training hours for managerial staff		
2023	3.23	–
2022	2.48	–
Average training hours for operational staff		
2023	11.00	–
2022	2.48	–
Average training hours for general staff		
2023	3.00	–
2022	2.48	–

B4: Labor Standards

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group continued with its cornerstone policy of strict compliance with the Labour Laws of the PRC and the Employment Ordinance, and adopted their respective standards as the minimum standards on employment and labour protection and welfare. The Group adhered to the laws of the PRC and Hong Kong as well as the local market practices on recruitment, dismissal, promotion, leave, holidays, benefits as well as equal employment opportunities to all gender, age, race and religion. The Group acted strongly against and banned all child, illegal and forced labour.

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

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

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group honored all of its obligations towards employees and no disputes or litigations on labour matters were reported. There was also no child and forced labour case reported. The Group is confident to maintain this good track record for the coming year.

2.3 Operation Practices Areas and Aspects

B5. Supply Chain Management

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

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group continued to implement a detailed supply and purchase management system adopting different approval authorities at different hierarchy levels of the management team. The Purchase Manager, Finance Director and Managing Director form the execution and supervision purchase chain at different monetary levels. Each level is accountable to the one above on their monetary limits they are authorised to purchase. All capital expenditure purchases have to be authorised and approved by the Hong Kong headquarters. All purchase transactions must be submitted to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks.

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

During the 2023 Reporting Period, same as the 2022 Reporting Period, owing to the special nature of our raw materials – copper sheets and wires, rubber and plastic, the Group had to purchase from both local and overseas suppliers, whomever offered the best prices.

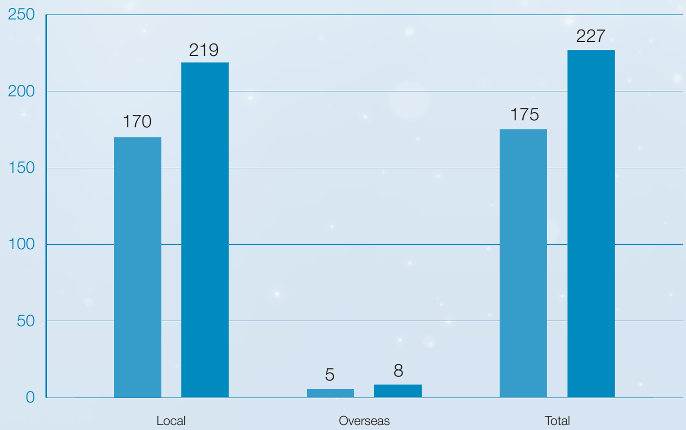


Figure 8: Number of Suppliers by Geographical Location

All general purchases are placed with reliable local suppliers as far as possible so as to reduce carbon footprint and to support the local economy. When items or services are purchased for special use, the purchasing officers must ensure that the supply of services or goods are fit for purpose and meets our specification before price becomes a consideration. Owing to effective management, the Group did not experience any interruption of supplies or failure to secure sufficient quantities of supplies on time that had any material adverse impact on our business. The Group expects that its purchase policies and pattern will likely to be continued in the coming year.

B6: Product Responsibilities

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

(i) Product Quality and Safety

The Group has continued with its quality guarantee policy and taken all reasonable steps to ensure that the goods produced are safe and harmless to its consumers, meeting all agreed or legally required standards for consumers health and safety, including health warnings, product safety and information labels. It is because the Group firmly believes that with a high quality and safety standard of its products, it can retain the customers and expand market share. The Group has obtained The Quality Management System (ISO 9001:2015) which ensures that its products pass through strict quality control processes and meet with approved quality standards. The Group has trained Quality Controllers to examine the quality and safety of its products from the first stage of raw material purchases, to regularly inspect goods during the production and sale processes and ensure that the processes are in total compliance with both internal and external quality and safety assurance codes. The Group has also committed to investing in plant and equipment for high end production technology, quality and safety to maintain its competitive edge. The Group has also fostered close relationships with its business peers to keep abreast of the latest product development and knowledge.

During the 2023 Reporting Period, the Group's cable wire sales recorded about 0.49% (For 2022 Reporting Period: 0.23%) product returned for quality reason, which is lower than the industry norm. No health warnings or below quality and safety comments from the Consumer Council, marketing agencies or relevant government authorities on the quality and safety of its cable wire products was ever received. The Group has the confidence to continue the quality control processes to ensure its products will always be of the highest quality and safety standard in the coming years.

(ii) Customer Services and Complaints Handling

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

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group recorded an insignificant sales complaints, and no warnings from the Consumer Councils or relevant government authorities on the quality of its services. The established complaints handling routes and channels have functioned well and the Group did not experience serious sales complaints which led to disruption of its manufacturing processes.

(iii) Privacy

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

During the 2023 Reporting Period, same as the 2022 Reporting Period, the Group did not receive any complaint on any breach of privacy or leakage of information. Given its existing internal control and technical control process, the Group is confident that confidential information will not be accessed and leaked out easily.

(iv) Intellectual Property Rights

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

During the 2023 Reporting Period, and same as previous few years, the Group did not receive any reports or cases of any intellectual property rights infringement.

B7: Anti-Corruption

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

Since the commencement of the ESG reporting and during the 2023 Reporting Period, there were no complaints and legal cases of corruption against the Group or its staff, and the Group is confident to achieve a similar clean result in the future.

B8: Community Investment

The Group strives to implement corporate social responsibility to make continuous contributions to the building of a cohesive and caring society. The Group seeks to foster employees' sense of social responsibility, thus encouraging and sponsoring them to participate in charitable activities and devote their spare time to helping the needy. Furthermore, the Group supported the local communities by prioritising its purchases with the local suppliers. The Group continues to encourage and educate all our employees to participate in environmental protection activities.

The Group continued to provide 337 jobs, mostly to the low-skilled village and city workers, and training to enhance their skills in the 2023 Reporting Period. Finally, the Group has implemented measures with an objective to reduce hazardous and non-hazardous air emissions and polluted water and wastes discharges.

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

OPINION

We have audited the consolidated financial statements of Solartech International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 70 to 158, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment of intangible asset – mining right

Refer to Note 18 to the consolidated financial statements.

Key Audit Matter

As at 30 June 2023, the carrying value of the Group's mining right included in intangible asset, before impairment assessment, amounted to HK$486,816,000. There was a further delay in the Group's mining plan in the current year and accordingly, the management considered that there was indicator of impairment of the Group's mining right.

Following a detailed impairment review of the Group's cash-generating unit related to the mining right (the "**Mining CGU**"), management has estimated that an additional impairment loss on mining right of HK$92,044,000 for the year ended 30 June 2023.

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

Our response:

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

(i) Evaluating the appropriateness of the model used by management to calculate the fair value less cost of disposal of the Mining CGU;

(ii) Assessing and challenging the reasonableness of the key assumptions such as forecast commodity price, discount rate and country specific risk rate used including agreeing them to external market data;

(iii) Reviewing and assessing the appropriateness of mining based assumptions, including recovery rates and ore grades;

(iv) Challenging management's sensitivity analysis on key assumptions;

(v) Evaluating the competence and objectivity of management's expert who assisted in determining the recoverable amount;

(vi) Assessing the appropriateness of the related disclosures included in Note 18 to the consolidated financial statements; and

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

Impairment assessment of property, plant and equipment and right-of-use assets

Refer to Note 15 and Note 17 in the consolidated financial statements.

Key Audit Matter

As at 30 June 2023, the carrying value of the Group's property, plant and equipment and right-of-use assets, before impairment assessment, amounted to HK$17,709,000 and HK$8,414,000 respectively. During the year, the Group incurred a loss, before impairment assessment of property, plant and equipment and right-of-use assets, of HK$176,759,000, and as at 30 June 2023, the market capitalisation of the Group fell below its net asset value and accordingly, management considered that these were indicators of impairment of the Group's property, plant and equipment and right-of-use assets.

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

This conclusion was based on a fair-value-less-costs-of-disposal model that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

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

(i) Understand the methodologies used by the management's expert to estimate the fair value less cost of disposal;

(ii) Evaluate the competence, capabilities and objectivity of the management's expert; and

(iii) Assessing the key assumptions and input data used by management to estimate fair value less cost of disposal based on our knowledge of the business and industry.

Valuation of investment properties

Refer to Note 16 in the consolidated financial statements.

Key Audit Matter

The Group's investment properties were carried at fair value of HK$669,164,000 as at 30 June 2023 which was based on valuations performed by an independent firms of professionally qualified valuers.

Investment properties were significant to the consolidated financial statements of the Group. The valuation of investment properties requires significant judgement and estimation in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied. There is a risk that the carrying amount of investment properties may be significantly changed if the valuation methodology adopted and the key assumptions applied by the valuers are varied.

Our response:

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

(i) Evaluating the competence, capabilities and objectivity of the external valuers;

(ii) Considering the appropriateness of the methodology and assumptions adopted in the valuation with the assistance of our own valuation specialist;

(iii) Checking the accuracy and relevance of the input data used; and

(iv) Assessing the adequacy of the disclosures made in the consolidated financial statements in respect of the valuation of investment properties including the relationship between the key observable input and fair value.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Chan Tsz Hung
Practising Certificate Number: P06693

Hong Kong, 29 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6 and 7	**374,316**	471,521
Cost of sales		**(362,161)**	(404,843)
Gross profit		**12,155**	66,678
Interest income		**13,985**	14,238
Other income and other losses, net	12	**217**	(1,131)
General and administrative expenses		**(61,628)**	(73,101)
Selling and distribution expenses		**(7,650)**	(7,413)
Finance costs	10	**(19,768)**	(21,270)
Change in fair value of derivative financial instruments, net	26	**62**	(734)
Change in fair value of investment properties, net	16	**(1,262)**	6,342
Change in fair value of financial assets at fair value through profit or loss, net	25	**(533)**	(5,079)
(Expected credit loss)/reversal of expected credit loss recognised, net	23	**(4,609)**	2,614
Impairment loss on intangible asset	18	**(92,044)**	(70,769)
Gain on disposal of a subsidiary	33	**4,606**	–
Share of results of associates	20	**(643)**	(7,810)
Share of results of joint ventures	21	**(7,086)**	(15,204)
Loss before taxation	8	**(164,198)**	(112,639)
Income tax (expense)/credit	11	**(12,561)**	11,446
Loss for the year		**(176,759)**	(101,193)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(17,726)**	(8,542)
Reclassification adjustment on exchange difference for foreign operation disposed of during the year	33	**(5,766)**	–
Share of other comprehensive income of associates	20	**(277)**	(113)
Share of other comprehensive income of joint ventures	21	**3**	(22)
Other comprehensive income for the year		**(23,766)**	(8,677)
Total comprehensive income for the year		**(200,525)**	(109,870)
Loss attributable to:			
Owners of the Company		**(176,246)**	(102,218)
Non-controlling interests		**(513)**	1,025
		(176,759)	(101,193)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 HK$'000	2022 HK$'000
Total comprehensive income attributable to:			
Owners of the Company		**(200,138)**	(110,921)
Non-controlling interests		**(387)**	1,051
		(200,525)	(109,870)
Loss per share:			
– Basic and diluted (HK$)	14	**(0.074)**	(0.043)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	15	**17,709**	21,458
Investment properties	16	**669,164**	767,219
Right-of-use assets	17	**8,414**	7,907
Intangible asset	18	**394,772**	486,820
Interests in associates	20	**2,757**	3,677
Interests in joint ventures	21	**1,956**	9,040
Other loans and receivables	23	**–**	21,895
Deferred tax assets	32	**–**	12,877
Total non-current assets		**1,094,772**	1,330,893
Current assets			
Inventories	22	**23,818**	33,442
Debtors, other loans and receivables, deposits and prepayments	23	**235,214**	249,120
Bills receivable	24	**1,461**	865
Financial assets at fair value through profit or loss	25	**5,930**	6,798
Bank balances and cash	28	**85,665**	71,346
Total current assets		**352,088**	361,571
Current liabilities			
Creditors, other advances and accrued charges	29	**212,309**	114,797
Borrowings	30	**129,177**	180,037
Derivative financial liabilities	26	**177**	580
Lease liabilities	17	**1,262**	1,760
Total current liabilities		**342,925**	297,174
Net current assets		**9,163**	64,397
Total assets less current liabilities		**1,103,935**	1,395,290

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities	17	**1,798**	231
Other payables and advances	29	**7,334**	62,259
Borrowings	30	**131,764**	156,982
Deferred tax liabilities	32	**74,884**	87,138
Total non-current liabilities		**215,780**	306,610
Total net assets		**888,155**	1,088,680
EQUITY			
Capital and reserves			
Share capital	34	**23,745**	23,745
Reserves		**865,459**	1,065,597
Equity attributable to owners of the Company		**889,204**	1,089,342
Non-controlling interests	38	**(1,049)**	(662)
Total equity		**888,155**	1,088,680

The consolidated financial statements on pages 70 to 158 were approved and authorised for issue by the Board of Directors on 29 September 2023 and are signed on its behalf by:

Chau Lai Him
DIRECTOR

Chau Chi Ho
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Share capital HK$'000 (Note 34)	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2021	23,745	1,828,432	612,360	9,603	4,878	108,253	1,518	(1,388,526)	1,200,263	(1,713)	1,198,550
Profit for the year	–	–	–	–	–	–	–	(102,218)	(102,218)	1,025	(101,193)
Exchange difference on translation of foreign operations	–	–	–	(8,568)	–	–	–	–	(8,568)	26	(8,542)
Share of other comprehensive income of associates	–	–	–	(113)	–	–	–	–	(113)	–	(113)
Share of other comprehensive income of joint ventures	–	–	–	(22)	–	–	–	–	(22)	–	(22)
Total comprehensive income for the year	–	–	–	(8,703)	–	–	–	(102,218)	(110,921)	1,051	(109,870)
Lapse of share options	–	–	–	–	–	–	(1,518)	1,518	–	–	–
At 30 June 2022	23,745	1,828,432	612,360	900	4,878	108,253	–	(1,489,226)	1,089,342	(662)	1,088,680

	Share capital HK$'000 (Note 34)	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2022	23,745	1,828,432	612,360	900	4,878	108,253	–	(1,489,226)	1,089,342	(662)	1,088,680
Loss for the year	–	–	–	–	–	–	–	(176,246)	(176,246)	(513)	(176,759)
Exchange difference on translation of foreign operations	–	–	–	(17,852)	–	–	–	–	(17,852)	126	(17,726)
Reclassification adjustment on exchange difference for foreign operation disposed during the year (Note 33)	–	–	–	(5,766)	–	–	–	–	(5,766)	–	(5,766)
Share of other comprehensive income of associates (Note 20)	–	–	–	(277)	–	–	–	–	(277)	–	(277)
Share of other comprehensive income of joint ventures (Note 21)	–	–	–	3	–	–	–	–	3	–	3
Total comprehensive income for the year	–	–	–	(23,892)	–	–	–	(176,246)	(200,138)	(387)	(200,525)
Disposal of a subsidiary	–	–	–	–	–	(2,172)	–	2,172	–	–	–
Release upon disposal of investment properties (Note 16)	–	–	–	–	–	(6,180)	–	6,180	–	–	–
At 30 June 2023	23,745	1,828,432	612,360	(22,992)	4,878	99,901	–	(1,657,120)	889,204	(1,049)	888,155

Notes:

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

The exchange reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations, reclassification adjustment on exchange difference for foreign operation disposed during the year, share of other comprehensive income of associates and joint ventures.

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Loss before taxation		**(164,198)**	(112,639)
Adjustments for:			
Interest income		**(13,985)**	(14,238)
Finance costs	10	**19,768**	21,270
Depreciation of property, plant and equipment	15	**4,024**	4,896
Depreciation of right-of-use assets	17	**2,074**	2,205
Change in fair value of derivative financial instruments, net	26	**(62)**	734
Change in fair value of investment properties, net	16	**1,262**	(6,342)
Change in fair value of financial assets at fair value through profit or loss, net	25	**533**	5,079
Expected credit loss/(reversal of expected credit loss) recognised, net	23	**4,609**	(2,614)
Impairment loss on intangible asset	18	**92,044**	70,769
Gain on disposal of a subsidiary	33	**(4,606)**	–
Write-down of inventories	22	**716**	109
Loss on disposal of property, plant and equipment	8	**940**	2,218
Loss on disposal of investment properties	8	**2,200**	–
Gain on disposal of right-of-use assets	8	**(1,809)**	–
Share of results of associates	20	**643**	7,810
Share of results of joint ventures	21	**7,086**	15,204
Operating loss before working capital changes		**(48,761)**	(5,539)
Decrease in inventories		**8,908**	13,042
Decrease in debtors, other loans and receivables, deposits and prepayments		**4,622**	23,344
(Increase)/decrease in bills receivable		**(692)**	302
Increase/(decrease) in creditors, other advances and accrued charges		**61,216**	(23,182)
Decrease/(increase) in financial assets at fair value through profit or loss		**335**	(6,786)
Cash generated from operations		**25,628**	1,181
Income tax paid		**–**	(247)
Net cash generated from operating activities		**25,628**	934

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 HK$'000	2022 HK$'000
Investing activities			
Interest received		**13,985**	14,238
Expenditure on investment properties		**(11,807)**	(129,542)
Purchases of property, plant and equipment		**(2,906)**	(5,267)
Proceeds from disposal of property, plant and equipment		**72**	1,090
Proceeds from disposal of investment properties		**1,924**	–
Proceeds from disposal of a subsidiary	33	**18,951**	–
Release of pledged bank deposits		**–**	72,551
Net cash generated from/(used in) investing activities		**20,219**	(46,930)
Financing activities	45		
Interest paid on borrowings		**(19,630)**	(20,720)
Interest paid on promissory notes		**–**	(1,381)
Repayment of interest portion of the lease liabilities		**(138)**	(129)
Repayment of principal portion of the lease liabilities		**(2,066)**	(1,993)
Redemption of promissory notes		**–**	(8,000)
New bank and other loans raised		**240,399**	275,695
Repayment of bank and other loans		**(244,225)**	(191,295)
Net cash (used in)/generated from financing activities		**(25,660)**	52,177
Net increase in cash and cash equivalents		**20,187**	6,181
Cash and cash equivalents at beginning of the year		**71,346**	66,953
Effect of foreign exchange rate changes		**(5,868)**	(1,788)
Cash and cash equivalents at end of the year		**85,665**	71,346
Analysis of the balances of cash and cash equivalents			
Bank balance and cash		**85,665**	71,346

1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, trading of copper rods, properties holding, provision of financing service and holding of mining right. Its associates are engaged in research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC. Its joint ventures are engaged in holding of mining right. Further details are set out in Notes 19, 20 and 21. The Company, together with its subsidiaries are collectively referred to as the "Group".

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

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2022

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

None of these new or amended HKFRSs have material impact on the Group's results and financial position for the current or prior years. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting year.

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

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (Revised) (the "**2020 Amendments**")[2,4]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**")[2]
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 HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)[2]
HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined
4 As a consequence of the amendments to the 2020 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify that the requirements for classifying liabilities as current or non-current, in particular that determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that an entity will exercise its right to defer settlement of a liability. The amendments also clarify the situations that are considered a settlement of a liability.

In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively. Earlier application is permitted.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the Group's consolidated financial statements.

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Estimate

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 8 – Definition of Accounting Estimates

Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

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

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

Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback (amendments)

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

HKFRS 17 – Insurance Contracts and related Amendments

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments in 2020 introduced changes to simplify some of the requirements; make financial performance easier to explain and ease transition by providing addition transition reliefs. Amendments in 2022 introduced a transition option related to comparative information about financial assets presented on initial application of HKFRS 17 to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk in response to investors' concerns that some entities' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

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

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

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation of consolidated financial statements

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

Business combination and basis of consolidation

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

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

Business combination and basis of consolidation (continued)

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

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

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

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

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

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

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

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

Subsidiaries

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

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

Associates

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

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

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

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

Joint arrangements

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

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

Joint arrangements (continued)

The Group classifies its interests in joint arrangements as either:

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Property, plant and equipment (continued)

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

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

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

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

Investment properties

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

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

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

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Mining right is stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Amortisation of mining right is calculated to write off the cost less accumulated impairment losses on the unit-of-production method. Mining right is assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Impairment of non-financial assets

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

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

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

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

Inventories

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

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

Financial instruments

(i) Financial assets

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

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

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

Debt instruments

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

Equity instruments

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

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

Financial instruments (continued)

(ii) Impairment loss on financial assets

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

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

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

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

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

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

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

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

Financial instruments (continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

Cash and cash equivalents

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

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

Income taxes

Income taxes comprise current tax and deferred tax.

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

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

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

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

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

Leases

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

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

Leases (continued)

Accounting as a lessee

Right-of-use assets

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

Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost. Right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	Over the lease terms
Buildings	Over the lease terms
Motor vehicle	Over the lease terms

Lease liabilities

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

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

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

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

Leases (continued)

Accounting as a lessor

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

Foreign currencies

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

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

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

Provisions and contingent liabilities

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

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

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

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

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

Revenue recognition

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

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

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

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

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

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

Revenue recognition (continued)

Sales of goods

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

Contract liabilities

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

Borrowing costs

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

Government grants

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

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

Employee benefits

Short term employee benefits

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

Defined contribution retirement plan

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

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

Employee benefits (continued)

Termination benefits

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

Related parties

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

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

  (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

Related parties (continued)

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Net realisable value of inventories

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

Depreciation of property, plant and equipment

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

Reserve estimates and amortisation of mining right

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

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

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

In determining whether an item of property, plant and equipment and right-of-use assets is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset or a CGU can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, or derecognition; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate; and (4) whether the calculation of the fair value less costs of disposal can be supported by available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less costs for disposing of the assets. Changing the assumptions and inputs selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Valuation of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried in the consolidated statement of financial position at their fair value, details of which are disclosed in Note 16. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent qualified valuer using property valuation techniques which involve certain assumptions and inputs as set out in Note 16. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties included in the consolidated statement of financial position and corresponding adjustments to the changes in fair value recognised in profit or loss. As at 30 June 2023, the carrying amount of investment properties was approximately HK$669,164,000 (2022: HK$767,219,000).

Provision on ECL for trade debtors

The Group uses provision matrix to calculate ECL for the trade debtors. The expected loss rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration reasonable and supportable 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 trade debtors are disclosed in Notes 5 and 23 respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision on ECL for other loans and receivables

The Group assesses at the end of the reporting period the ECLs of other loans and receivables in accordance with the three-stage model set out in accounting policy set out in Notes 3 on individual or collectively basis, as appropriate. The Group estimates risk of default of the debtors and the ECL rates considering factors such as days past due of the receivables, debtors' creditworthiness, past repayment history, the recoverable amount of the securities and the timing of future cash inflows, then adjusted for existing market condition including forward looking estimates at the end of the reporting period.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's other loans and receivables are disclosed in Notes 5 and 23 respectively.

Impairment assessment of mining right

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

Impairment assessment of interests in associates and interests in joint ventures

The interests in associates and interests in joint ventures are subject to impairment review whenever there are indications that the carrying amount of the Group's interests may not be recoverable or impairment losses recognised in prior periods may have decreased. Where an indicator of further impairment or reversal of impairment loss exists, a formal estimate of the recoverable amount of the Group's interests in associates and interest in joint ventures is made. The calculation of the fair-value-less-costs-of-disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

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

Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("**US$**").

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade receivables and trade payables at the end of the reporting period, are as follows:

	2023 **HK$'000**	2022 HK$'000
Assets		
US$	**16,064**	26,479
Liabilities		
US$	**7,759**	13,381

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in the functional currencies of the group entities, against relevant foreign currencies, mainly US$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for 5% change in foreign currency rates.

A negative number below indicates increase in loss (2022: increase in loss) for the year when the functional currencies have strengthened against the relevant foreign currencies. For a 5% weakening of the functional currencies against the relevant foreign currencies, there would be an equal but opposite impact on the result for the year.

	2023	2022
	HK$'000	HK$'000
US$		
Decrease in loss for the year	**415**	655

Credit risk

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

(i) Impairment of trade debtors

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

The following tables provide information about the Group's exposure to credit risk and ECLs for the trade debtors as at 30 June 2023 and 2022:

At 30 June 2023

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net amount HK$'000
Not yet past due	**0.81%**	**36,495**	**294**	**36,201**
1–30 days past due	**0.96%**	**13,368**	**128**	**13,240**
31–90 days past due	**2.51%**	**7,842**	**197**	**7,645**
Over 90 days past due	**54.35%**	**1,218**	**662**	**556**
		58,923	**1,281**	**57,642**

At 30 June 2022

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net amount HK$'000
Not yet past due	0.83%	56,515	468	56,047
1–30 days past due	1.03%	12,466	128	12,338
31–90 days past due	5.04%	4,769	190	4,579
Over 90 days past due	54.79%	2,305	1,252	1,053
		76,055	2,038	74,017

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

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

(ii) Impairment of other loans and receivables and deposits

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

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

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

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

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

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables and deposits as at 30 June 2023 and 2022:

At 30 June 2023

	Expected loss rate %	12-month ECLs Stage 1 HK$'000	Lifetime ECLs, non-credit impaired Stage 2 HK$'000	Lifetime ECLs, credit impaired Stage 3 HK$'000	Gross carrying amount HK$'000	Loss allowance HK$'000
Loans receivable	0.80%	146,635	–	–	146,635	1,180
Other receivables and deposits	49.67%	12,344	–	18,598	30,942	15,370

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

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

At 30 June 2022

	Expected loss rate %	12-month ECLs Stage 1 HK$'000	Lifetime ECLs, non-credit impaired Stage 2 HK$'000	Lifetime ECLs, credit impaired Stage 3 HK$'000	Gross carrying amount HK$'000	Loss allowance HK$'000
Loans receivable	1.90%	140,675	22,271	162	163,108	3,091
Other receivables and deposits	54.12%	11,041	–	34,866	45,907	24,844

Change in gross carrying amounts of other loans and receivables and deposits during the year ended 2023 and 2022 did not result in significant change in the loss allowance.

The movements in provision for impairment of loans receivable are as follows:

	12-month ECLs Stage 1 HK$'000	**Lifetime ECLs, non-credit impaired Stage 2** HK$'000	**Lifetime ECLs, credit impaired Stage 3** HK$'000	**Total** HK$'000
As at 1 July 2021	151	3,976	104	4,231
Transfer to Stage 1	3,486	(3,486)	–	–
(Reversal of expected credit loss)/ expected credit loss recognised during the year	(1,022)	(105)	62	(1,065)
Exchange realignment	(61)	(9)	(5)	(75)
As at 30 June 2022 and 1 July 2022	**2,554**	**376**	**161**	**3,091**
Reversal of expected credit loss recognised during the year	**(1,227)**	**(362)**	**(155)**	**(1,744)**
Exchange realignment	**(147)**	**(14)**	**(6)**	**(167)**
As at 30 June 2023	**1,180**	**–**	**–**	**1,180**

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

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

The movements in provision for impairment of other receivables and deposits are as follows:

	12-month ECLs Stage 1 HK$'000	Lifetime ECLs, non-credit impaired Stage 2 HK$'000	Lifetime ECLs, credit impaired Stage 3 HK$'000	Total HK$'000
As at 1 July 2021	19	–	26,442	26,461
Expected credit loss/(reversal of expected credit loss) recognised during the year	20	–	(1,194)	(1,174)
Exchange realignment	(2)	–	(441)	(443)
As at 30 June 2022 and 1 July 2022	**37**	**–**	**24,807**	**24,844**
Written off during the year	**–**	**–**	**(15,794)**	**(15,794)**
Expected credit loss recognised during the year	**17**	**–**	**7,002**	**7,019**
Exchange realignment	**(2)**	**–**	**(697)**	**(699)**
As at 30 June 2023	**52**	**–**	**15,318**	**15,370**

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk relates primarily to the Group's floating-rate borrowings (Note 30).

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

At 30 June 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year (2022: increase/decrease the Group's loss for the year) and the accumulated losses by approximately HK$2,473,000 (2022: HK$2,870,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2022.

Liquidity risk

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
At 30 June 2023					
Non-derivative financial liabilities					
Creditors, other advances and accrued charges	202,820	202,820	195,486	7,334	–
Lease liabilities	3,060	3,335	1,435	1,200	700
Borrowings	260,941	348,041	149,339	34,362	164,340
	466,821	554,196	346,260	42,896	165,040
Derivative financial liabilities					
Derivative financial liabilities	177	177	177	–	–

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
At 30 June 2022					
Non-derivative financial liabilities					
Creditors, other advances and accrued charges	134,713	134,713	107,222	7,845	19,646
Lease liabilities	1,991	2,039	1,805	234	–
Borrowings	337,019	448,425	204,145	24,452	219,828
	473,723	585,177	313,172	32,531	239,474
Derivative financial liabilities					
Derivative financial liabilities	580	580	580	–	–

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 26.

At 30 June 2023, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss for the year (2022: decrease/increase the Group's loss for the year) and accumulated losses by approximately HK$800,000 (2022: HK$480,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2022.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Equity price risk

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

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

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2023, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would decrease/increase the Group's loss for the year (2022: decrease/increase the Group's loss for the year) and accumulated losses by HK$593,000 (2022: HK$680,000).

(b) Fair value

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value (continued)

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

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

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

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

The following table presents the Group's financial instruments measured at fair value at 30 June 2023 and 2022:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Asset				
Financial assets at FVTPL	**5,930**	**–**	**–**	**5,930**
Liability				
Copper future contracts	**177**	**–**	**–**	**177**

	2022			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Asset				
Financial assets at FVTPL	6,798	–	–	6,798
Liability				
Copper future contracts	580	–	–	580

6. REVENUE

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

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers:		
Sales of goods	362,204	458,085
Revenue from other sources:		
Rental income	12,112	13,436
	374,316	471,521

7. SEGMENTAL INFORMATION

(a) Reportable segments

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

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

(i) manufacture and trading of cables and wires;

(ii) trading of copper rods; and

(iii) investment properties.

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2022 and 2023 and for the years then ended for the purpose of segment reporting.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before taxation. The adjusted profit/loss before taxation is measured consistently with the Group's profit/loss before taxation except that gain on disposal of right-of-use assets, change in fair value of derivative financial instruments, impairment loss on intangible asset of mining right, share of results of associates and joint ventures as well as head office and corporate expenses are excluded from such measurement.

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

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

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2023

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000
Revenue from external customer	205,120	157,084	12,112	374,316
Inter-segment revenue	–	–	–	–
Reportable segment revenue	205,120	157,084	12,112	374,316
Reportable segment (loss)/profit	(38,687)	(10,157)	8,657	(40,187)
Finance costs	(8,966)	(8,960)	(1,703)	(19,629)
Change in fair value of derivative financial instruments, net	226	–	–	226
Change in fair value of investment properties, net	–	–	(1,262)	(1,262)
Loss on disposal of property, plant and equipment				
– allocated	(910)	–	–	(910)
– unallocated				(30)
				(940)
Loss on disposal of investment properties	–	–	(2,200)	(2,200)
Reversal of expected credit loss/(expected credit loss) recognised, net				
– allocated	2,029	(6)	(1,206)	817
– unallocated				(5,426)
				(4,609)
Depreciation of right-of-use assets				
– allocated	(4)	(184)	–	(188)
– unallocated				(1,886)
				(2,074)
Depreciation of property, plant and equipment				
– allocated	(3,458)	(216)	(73)	(3,747)
– unallocated				(277)
				(4,024)
Income tax (expense)/credit	(12,877)	316	–	(12,561)

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2022

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customer	300,238	157,847	13,436	471,521	–	471,521
Inter-segment revenue	–	9,720	–	9,720	(9,720)	–
Reportable segment revenue	300,238	167,567	13,436	481,241	(9,720)	471,521
Reportable segment (loss)/profit	(10,338)	3,944	19,639	13,245	–	13,245
Finance costs	(13,991)	(4,731)	(1,998)	(20,720)	–	(20,720)
Change in fair value of derivative financial instruments, net	(221)	–	–	(221)	–	(221)
Change in fair value of investment properties, net	–	–	6,342	6,342	–	6,342
Loss on disposal of property, plant and equipment	(1,375)	(843)	–	(2,218)	–	(2,218)
(Expected credit loss)/reversal of expected credit loss recognised, net						
– allocated	(2,542)	3,856	3,873	5187	–	5,187
– unallocated						(2,573)
						2,614
Depreciation of right-of-use assets						
– allocated	(8)	(215)	(23)	(246)	–	(246)
– unallocated						(1,959)
						(2,205)
Depreciation of property, plant and equipment						
– allocated	(4,202)	(260)	(309)	(4,771)	–	(4,771)
– unallocated						(125)
						(4,896)
Income tax credit/(expense)	12,877	–	(1,431)	11,446	–	11,446

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

As at 30 June 2023

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000
Reportable segment assets	**295,305**	**54,753**	**672,949**	**1,023,007**
Additions to non-current assets	**–**	**1,480**	**38,156**	**39,636**
Reportable segment liabilities	**208,768**	**29,364**	**233,135**	**471,267**

As at 30 June 2022

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000
Reportable segment assets	285,306	69,996	796,189	1,151,491
Additions to non-current assets	5,160	–	129,542	134,702
Reportable segment liabilities	238,479	4,145	267,299	509,923

7. SEGMENTAL INFORMATION (continued)

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

	2023 HK$'000	2022 HK$'000
For the year ended 30 June		
Loss before taxation		
Reportable segment (loss)/profit	(40,187)	13,245
Gain on disposal of right-of-use assets	1,809	–
Change in fair value of derivative financial instruments	(164)	(513)
Impairment loss on intangible assets	(92,044)	(70,769)
Share of results of associates	(643)	(7,810)
Share of results of joint ventures	(7,086)	(15,204)
Unallocated finance costs	(139)	(550)
Unallocated corporate expenses	(25,744)	(31,038)
Consolidated loss before taxation	(164,198)	(112,639)
At 30 June		
Assets		
Reportable segment assets	1,023,007	1,151,491
Intangible asset	394,772	486,820
Interests in associates	2,757	3,677
Interests in joint ventures	1,956	9,040
Deferred tax assets	–	12,877
Unallocated bank balances and cash	4,175	4,130
Unallocated corporate assets	20,193	24,429
Consolidated total assets	1,446,860	1,692,464
Liabilities		
Reportable segment liabilities	471,267	509,923
Deferred tax liabilities	74,884	87,138
Unallocated corporate liabilities	12,554	6,723
Consolidated total liabilities	558,705	603,784

7. SEGMENTAL INFORMATION (continued)

(c) Geographical information

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

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

	Revenue from external customers		Specified non-current assets	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**264,041**	290,260	**690,149**	742,009
Americas	**29,548**	44,677	**–**	–
Europe	**33,770**	75,413	**–**	–
Hong Kong	**17,977**	37,053	**5,138**	54,572
Mongolia	**–**	–	**396,728**	495,863
Others	**28,980**	24,118	**2,757**	3,677
	374,316	471,521	**1,094,772**	1,296,121

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

(d) Disaggregation of revenue by timing of revenue recognition

For the year ended 30 June 2023

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000
Revenue from contracts with customers disaggregated by timing of revenue recognition				
At a point in time	205,120	157,084	–	362,204
Transferred over time	–	–	–	–
	205,120	157,084	–	362,204
Revenue from other sources	–	–	12,112	12,112
	205,120	157,084	12,112	374,316

7. SEGMENTAL INFORMATION (continued)

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

For the year ended 30 June 2022

	Cables and wires HK$'000	Copper rods HK$'000	Investment properties HK$'000	Total HK$'000
Revenue from contracts with customers disaggregated by timing of revenue recognition				
At a point in time	300,238	157,847	–	458,085
Transferred over time	–	–	–	–
	300,238	157,847	–	458,085
Revenue from other sources	–	–	13,436	13,436
	300,238	157,847	13,436	471,521

(e) Information about major customers

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

	2023 HK$'000	2022 HK$'000
Copper rods segment		
Customer A	**51,344**	62,400
Customer B	**45,950**	N/A*
Customer C	**N/A***	51,657

* The corresponding customers did not contribute over 10% of the total revenue of the Group for the respective years.

8. LOSS BEFORE TAXATION

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

	2023 HK$'000	2022 HK$'000
Auditor's remuneration	2,150	2,150
Depreciation of property, plant and equipment	4,024	4,896
Depreciation of right-of-use assets	2,074	2,205
Carrying amount of inventories sold	361,445	404,734
Write-down of inventories	716	109
Cost of inventories recognised as expenses (Note)	362,161	404,843
Short term lease expenses	–	630
Direct operating expenses arising from investment properties that generate rental income during the year	2	149
Loss on disposal of property, plant and equipment	940	2,218
Loss on disposal of investment properties	2,200	–
Gain on disposal of right-of-use assets	(1,809)	–
Exchange difference, net	(5,011)	2,832
Government subsidies	(304)	(152)
Research and development expenses	15,466	17,862
Staff costs (including directors' remuneration (Note 9))	45,441	69,945

Note:

Included in cost of inventories recognised as expenses is HK$26,258,000 (2022: HK$32,118,000) relating to staff costs and depreciation of property, plant and equipment. The amounts are also included in the respective total amounts as separately disclosed above.

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Directors								
Chau Lai Him	**–**	–	**7,150**	7,020	**–**	–	**7,150**	7,020
Chau Chi Ho	**–**	–	**1,196**	1,144	**18**	18	**1,214**	1,162
Liu Dong Yang	**331**	324	**183**	261	**63**	90	**577**	675
Chung Kam Kwong	**454**	444	**–**	–	**–**	–	**454**	444
Lo Wai Ming	**282**	276	**–**	–	**–**	–	**282**	276
Lo Chao Ming	**104**	102	**–**	–	**–**	–	**104**	102
	1,171	1,146	**8,529**	8,425	**81**	108	**9,781**	9,679

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

The five highest paid individuals of the Group include two (2022: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the three (2022: three) non-director individual was as follows:

	2023	2022
	HK$'000	HK$'000
Salaries and other benefits	**3,268**	3,226
Contributions to retirement benefit schemes	**67**	68
	3,335	3,294

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

Remuneration of these individuals was within the following bands:

	Number of individuals	
	2023	2022
Nil–HK$1,000,000	**1**	1
HK$1,000,001–HK$1,500,000	**2**	2

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

	Number of individuals	
	2023	2022
Nil–HK$1,000,000	**6**	7
HK$1,000,001–HK$1,500,000	**3**	3
HK$7,000,001–HK$7,500,000	**1**	1

10. FINANCE COSTS

	2023	2022
	HK$'000	HK$'000
Interest on borrowings	**19,630**	20,720
Interest on lease liabilities (Note 17)	**138**	129
Imputed interest on promissory notes (Note 31)	**–**	421
	19,768	21,270

11. INCOME TAX EXPENSE/(CREDIT)

	2023 HK$'000	2022 HK$'000
Current tax for the year		
Hong Kong profits tax		
– provision for the year	–	–
Taxation in other jurisdictions:		
– provision for the year	–	171
	–	171
Deferred tax for the year (Note 32)	12,561	(11,617)
	12,561	(11,446)

For the year ended 30 June 2023, no provision for Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong. For the year ended 30 June 2022, no provision for Hong Kong profits tax has been provided as there is sufficient tax losses to offset with the assessable profits.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The corporate income tax for enterprises in the PRC is calculated at the applicable standard rate of 25% for both years, except that one of the PRC subsidiaries of the company was qualified as a High and New Technology Enterprise in December 2022 and was entitled to enjoy a preferential income tax rate of 15% for a period of 3 years from 2023 to 2026.

Taxation in other countries and jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

Reconciliation between income tax expense/(credit) for the year and loss before taxation presented in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2023 **HK$'000**	2022 HK$'000
Loss before taxation	**(164,198)**	(112,639)
Tax calculated at the rates applicable to the tax jurisdictions concerned	**(36,393)**	(22,975)
Tax effect of expenses not deductible for tax purpose	**28,856**	22,867
Tax effect of income not taxable for tax purpose	**(1,063)**	(264)
Deduction of research and development cost	**(2,381)**	(3,349)
Tax effect of tax losses not recognised	**8,537**	2,525
Utilisation of tax losses previously not recognised	**–**	(2,247)
Derecognition/(recognition) of tax losses previously not recognised as deferred tax assets	**12,877**	(12,877)
Tax effect of temporary difference not recognised	**195**	(880)
Tax effect on share of results of associates	**161**	1,953
Tax effect on share of results of joint ventures	**1,772**	3,801
Income tax expense/(credit) for the year	**12,561**	(11,446)

12. OTHER INCOME AND OTHER LOSSES, NET

	2023 **HK$'000**	2022 HK$'000
Other income		
Other rental income	**134**	683
Government subsidies (Note)	**304**	152
Others	**789**	–
	1,227	835
Other losses, net		
Loss on disposal of property, plant and equipment	**(940)**	(2,218)
Gain on disposal of right-of-use assets	**1,809**	–
Loss on disposal of investment properties	**(2,200)**	–
Others	**321**	252
	(1,010)	(1,966)
	217	(1,131)

Note:

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

13. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2023 and 2022.

14. LOSS PER SHARE

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

	2023	2022
	HK$'000	HK$'000
Loss		
Loss for the year attributable to the owners of the Company	**(176,246)**	(102,218)

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,374,532,340**	2,374,532,340

There was no movement on the number of ordinary shares in issue during the year. The weighted average number of ordinary shares used for the purposes of calculating the basic loss per share for the years ended 30 June 2023 and 2022 are 2,374,532,340.

The computation of diluted loss per share for the years ended 30 June 2023 and 2022 does not assume the subscription of the Company's outstanding dilutive potential ordinary share as they were anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the years ended 30 June 2023 and 2022.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST:						
At 1 July 2021	34,764	24,340	67,600	173,910	21,997	322,611
Additions	–	–	903	4,257	107	5,267
Disposals	–	–	(29,387)	(20,254)	(686)	(50,327)
Exchange realignment	(882)	(559)	(401)	(3,261)	(405)	(5,508)
At 30 June 2022 and 1 July 2022	**33,882**	**23,781**	**38,715**	**154,652**	**21,013**	**272,043**
Additions	**–**	**1,426**	**550**	**930**	**–**	**2,906**
Disposals	**(205)**	**(2,297)**	**(5,324)**	**(2,541)**	**(4,866)**	**(15,233)**
Disposal of a subsidiary (Note 33)	**–**	**–**	**(815)**	**(5,577)**	**(6,953)**	**(13,345)**
Exchange realignment	**(2,603)**	**(1,654)**	**(1,612)**	**(9,590)**	**(924)**	**(16,383)**
At 30 June 2023	**31,074**	**21,256**	**31,514**	**137,874**	**8,270**	**229,988**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:						
At 1 July 2021	34,581	19,755	62,868	160,396	20,078	297,678
Depreciation	4	468	1,004	2,783	637	4,896
Disposals	–	–	(26,380)	(20,058)	(581)	(47,019)
Exchange realignment	(884)	(456)	(372)	(2,873)	(385)	(4,970)
At 30 June 2022 and 1 July 2022	**33,701**	**19,767**	**37,120**	**140,248**	**19,749**	**250,585**
Depreciation	**2**	**570**	**363**	**2,613**	**476**	**4,024**
Disposals	**(92)**	**(2,297)**	**(4,757)**	**(2,250)**	**(4,825)**	**(14,221)**
Disposal of a subsidiary (Note 33)	**–**	**–**	**(815)**	**(5,577)**	**(6,837)**	**(13,229)**
Exchange realignment	**(2,603)**	**(1,357)**	**(1,499)**	**(8,545)**	**(876)**	**(14,880)**
At 30 June 2023	**31,008**	**16,683**	**30,412**	**126,489**	**7,687**	**212,279**
NET CARRYING AMOUNT:						
At 30 June 2023	**66**	**4,573**	**1,102**	**11,385**	**583**	**17,709**
At 30 June 2022	181	4,014	1,595	14,404	1,264	21,458

As at 30 June 2023, none of the Group's property, plant and equipment were pledged (2022: HK$181,000) to secure the borrowings of the Group (Note 30).

16. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
At 1 July 2021	377,692	273,304	650,996
Additions	–	129,542	129,542
Change in fair value	(6,934)	13,276	6,342
Exchange realignment	(8,166)	(11,495)	(19,661)
At 30 June 2022 and 1 July 2022	**362,592**	**404,627**	**767,219**
Additions	**–**	**38,156**	**38,156**
Change in fair value	**(17,669)**	**16,407**	**(1,262)**
Disposals	**(52,200)**	**–**	**(52,200)**
Disposal of a subsidiary (Note 33)	**(26,870)**	**–**	**(26,870)**
Exchange realignment	**(22,027)**	**(33,852)**	**(55,879)**
At 30 June 2023	**243,826**	**425,338**	**669,164**

The Group's investment properties were valued at 30 June 2023 by Peak Vision Appraisals Limited ("**Peak Vision**") and LCH (Asia-Pacific) Surveyors Limited ("**LCH**"), which are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued.

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

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

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

These valuations gave rise to net fair value loss of HK$1,262,000 (2022: net fair value gain of HK$6,342,000) during the year.

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

For the significant unobservable inputs used under the investment approach, term yield is ranging from 6.1% to 7.8% (2022: ranging from 2.3% to 7.3%), reversionary yield ranging from 7.3% to 9.1% (2022: 2.8% to 9.8%) and average market unit rent per month ranging from RMB11 to RMB19 (2022: RMB13 to RMB447) per square metre are adopted for the industrial buildings.

16. INVESTMENT PROPERTIES (continued)

Under the direct comparison approach, significant inputs of the Group's industrial buildings in the PRC include price per square metre of RMB284 to RMB2,295 (2022: RMB265 to RMB4,031) adjusted for a range from a discount of 11% to a discount of 40% (2022: from a discount of 26% to a premium to 24%) specific to the location of the Group's industrial building located in the PRC compared to recent sales on the comparable transactions.

Under the depreciated replacement cost approach, the estimated replacement cost per square metre adopted is RMB835 (2022: RMB811 to RMB2,335 per square metre).

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

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

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

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

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

As at 30 June 2023, the Group pledged investment properties with aggregate carrying amount of HK$631,086,000 (2022: HK691,145,000) to secure the borrowings of the Group (Note 30).

On 28 July 2022, Chau's Electrical Company Limited ("**Chau's Hong Kong**"), a wholly owned subsidiary of the Group, entered into sale and purchase agreements with an independent purchaser pursuant to which Chau's Hong Kong has agreed to dispose of its properties and carpark (carrying amount included in property, plant and equipment for the building element and right-of-use asset for the land element as to HK$113,000 and HK$115,000 respectively) at a consideration of HK$50,000,000 and HK$2,500,000 respectively (the "**Disposal**"). The Disposal has been completed on 13 October 2022 and the aggregate net proceeds of the Disposal were approximately HK$51,924,000. Included in the net proceeds of HK$50,000,000 were used to offset with the other loans. During the year ended 30 June 2023, a loss on disposal of investment properties of HK$2,200,000 was recognised in profit or loss and a release of property revaluation reserve of HK$6,180,000 to the Group's accumulated losses upon the disposal of investment properties.

17. LEASES

(a) The Group as lessee

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

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

(i) Right-of-use assets

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

	Leasehold land	Buildings	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 July 2021	6,306	3,174	–	9,480
Additions	–	–	782	782
Depreciation	(246)	(1,904)	(55)	(2,205)
Exchange realignment	(150)	–	–	(150)
As at 30 June 2022 and 1 July 2022	**5,910**	**1,270**	**727**	**7,907**
Additions	**–**	**3,135**	**–**	**3,135**
Disposals	**(115)**	**–**	**–**	**(115)**
Depreciation	**(188)**	**(1,705)**	**(181)**	**(2,074)**
Exchange realignment	**(439)**	**–**	**–**	**(439)**
As at 30 June 2023	**5,168**	**2,700**	**546**	**8,414**

As at 30 June 2023, the Group pledged right-of-use assets with net book value of HK$Nil (2022: HK$186,000) to secure the borrowings of the Group (Note 30).

17. LEASES (continued)

(a) The Group as lessee (continued)

(ii) Lease liabilities

	2023 HK$'000	2022 HK$'000
At 1 July	1,991	3,202
New leases	3,135	782
Interest expenses	138	129
Lease payments	(2,204)	(2,122)
At 30 June	3,060	1,991
Classified under:		
Non-current portion	1,798	231
Current portion	1,262	1,760
	3,060	1,991

At 30 June 2023, the undiscounted lease payments by the Group in future period under non-cancellable operating leases with its tenants are as follows:

	2023		
	Future lease payments HK$'000	Interest HK$'000	Present value HK$'000
Within one year	1,435	173	1,262
After one year but within two years	1,200	90	1,110
After two years but within five years	700	12	688
	3,335	275	3,060

17. LEASES (continued)

(a) The Group as lessee (continued)

(ii) Lease liabilities (continued)

	2022		
	Future lease payments HK$'000	Interest HK$'000	Present value HK$'000
Within one year	1,805	45	1,760
After one year but within two years	234	3	231
	2,039	48	1,991

(iii) Information in relation to short term leases

	2023 HK$'000	2022 HK$'000
Short term lease expenses	**–**	630
Aggregate undiscounted commitments for short term leases	**–**	115

(b) The Group as lessor

The Group leases out its investment properties under operating lease arrangements with leases negotiated for initial period ranging from one year to ten years (2022: one year to fifteen years). As at 30 June 2023, the Group had contracted with tenants for the following future lease payments receivable:

	2023 HK$'000	2022 HK$'000
Within one year	**7,770**	13,389
In the second year	**6,674**	28,170
In the third year	**223**	26,980
In the fourth year	**82**	20,477
In the fifth year	**82**	21,805
Over five years	**124**	249,645
	14,955	360,466

18. INTANGIBLE ASSETS

	Mining right
	HK$'000
COST:	
At 1 July 2021	1,167,689
Exchange realignment	29
At 30 June 2022 and 1 July 2022	**1,167,718**
Exchange realignment	**(4)**
At 30 June 2023	**1,167,714**
ACCUMULATED AMORTISATION AND IMPAIRMENT:	
At 1 July 2021	610,129
Impairment	70,769
At 30 June 2022 and 1 July 2022	**680,898**
Impairment	**92,044**
At 30 June 2023	**772,942**
NET CARRYING AMOUNT:	
At 30 June 2023	**394,772**
At 30 June 2022	486,820

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

The mining right is subject to impairment review whenever there are indications that the mining right's carrying amount may not be recoverable or impairment losses recognised in prior periods may have decreased.

During the year ended 30 June 2023, the directors of the Company have engaged Peak Vision in determining the recoverable amount of the CGU for which the mining right belongs to (the "**Mining CGU**"). Given the current development status of mining right, management has determined that recoverable amount of the Mining CGU on a fair-value-less-costs-of-disposal basis. The calculation has incorporated assumptions that a typical market participant would use in estimating the recoverable amount of the Mining CGU, which adopted cash flow projection for a period of 9 years, which is estimated to be the entire period of mining activities. There has been no change from the valuation technique used in prior year.

18. INTANGIBLE ASSETS (continued)

The key assumptions used in the cash flow projection are as follow:

At 30 June 2023, management analysed changes in the economic environment and performed an impairment test for Mining CGU at 30 June 2023 using the following key assumptions to determine the recoverable amount:

– In determining the revenue growth, a constant of the production level is expected in the cash flow projection periods;

– Total production was estimated based on average sustainable production levels of 20,000 metric tonnes of primary copper cathode per annum, of 12.56 million tonnes of ores. The ores will be used primarily for the production of the primary copper cathode;

– Budgeted average gross margins 52% in the cash flow projection periods based on management expectations of market development and estimated mineral resources reserves based on technical report;

– The unit market price of copper cathode was US$7,538 per tonne with reference to the future copper price at the end of each forecast period predicted by the World Bank;

– The post-tax discount rate was estimated in real terms based on the weighted average cost of capital basis and was 24.52%. In determining the discount rate, the weighted average cost of capital was used, which is based on capital asset pricing model and determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparable;

– Operating costs were projected based on the feasibility study report adjusted for inflation; and

– For the estimation of inflation rate, inflation rates relevant to the global and local Mongolian economy are taken as reference.

Values assigned to key assumptions and estimates used to measure Mining CGU's recoverable amount based on external sources of information and historic data. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

– A 10% reduction in the projected copper price level would result in a decrease in the recoverable amount by 26% and would lead to an additional impairment of HK$100,923,000; and

– A 10% increase in the post-tax discount rate (i.e. increased from 24.52% to 26.97%) would result in a decrease in the recoverable amount by 15% and would lead to an additional impairment of HK$59,890,000.

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

18. INTANGIBLE ASSETS (continued)

As at 30 June 2023, in view of the continuously decrease in the copper price and increase in the Mongolia inflation rate, the recoverable amount of the Mining CGU is HK$394,772,000, which is lower than the carrying amount of HK$486,816,000. Accordingly, impairment losses on Mining CGU of approximately HK$92,044,000 is recognised in profit or loss for the year ended 30 June 2023. The impairment loss is primary attributed to the decrease in the recoverable amount of the Mining CGU, which is due to the decrease in copper price and increase in Mongolia inflation rate, and hence a corresponding decrease in future net cash inflows.

As at 30 June 2022, in view of the continuously decrease in the copper price, the recoverable amount of the Mining CGU was HK$486,822,000, which was lower than the carrying amount of HK$557,591,000. Accordingly, impairment losses on Mining CGU of approximately HK$70,769,000 is recognised in profit or loss for the year ended 30 Jun 2022. The impairment loss was primary attributed to the decrease in the recoverable amount of the Mining CGU, which was due to the significant decrease in copper price and hence a corresponding decrease in future cash inflows.

19. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Kind of entity	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Company		Principal activities
				Directly	Indirectly	
Chau's Electrical (BVI) Company Limited	Limited liability company	British Virgin Islands ("**BVI**")/PRC	1 share of US$1	–	100%	Property holding
Chau's Electrical Company Limited	Limited liability company	Hong Kong ("**HK**")	HK$1,000 ordinary HK$500,000 non-voting deferred (Note (a))	–	100%	Trading of cable and wire products
Chau's Industrial Investments Limited	Limited liability company	BVI	US$1,000	100%	–	Investment holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.	Wholly-owned foreign enterprise	PRC	US$20,025,000	–	100%	Trading of copper products and Property holding
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd.	Wholly-owned foreign enterprise	PRC	HK$6,810,000	–	100%	Manufacture and trading of cable and wire products
Gosberton Assets Limited	Limited liability company	BVI	US$1	–	100%	Holding of trademarks

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

Name of subsidiary	Kind of entity	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Company Directly	Indirectly	Principal activities
Great Measure Investments Limited	Limited liability company	BVI	US$1	100%	–	Investment holding
Hua Yi Copper Products Company Limited	Limited liability company	HK	HK$5,000,000	–	100%	Investment holding
Ikh Shijir Erdene LLC	Limited liability company	The State of Mongolia	US$100,000	–	100%	Mining business (not yet commenced)
Sun Progress Limited	Limited liability company	BVI	US$1	–	100%	Investment holding
廉江市周氏石材有限公司 Lianjiang Zhou's Marble Limited ("**Zhau's Marble**")	Limited liability company	PRC	RMB10,000,000	–	80%	Property holding (not yet commenced)

Notes:

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

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

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

20. INTERESTS IN ASSOCIATES

	2023	2022
	HK$'000	HK$'000
Share of net assets	**2,757**	3,677

20. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's associates as at 30 June 2023 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
Idea Advertising Holdings Ltd.#	Limited liability company	BVI	49% (direct)	Investment holding
Idea Advertising Hong Kong Company Ltd.#	Limited liability company	Hong Kong	49% (indirect)	Inactive
Ocean Pride Ventures Limited*	Limited liability company	BVI	17% (direct)	Investment holding
Vietta Investment Holdings Limited*	Limited liability company	Hong Kong	17% (indirect)	Investment holding
江門市健輝照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Investment holding
江門市博林照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC
中山市博林電子科技有限公司*	Limited liability company	PRC	17% (indirect)	Research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC

\# Collectively known as the "Idea Group"
* Collectively known as the "Ocean Pride Group"

20. INTERESTS IN ASSOCIATES (continued)

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

Idea Group

During the year, the recoverable amount of the Idea Group was determined by the directors of the Company based on fair value less cost of disposal calculations.

As at 30 June 2023 and 2022, the carrying amount of the Idea Group, before impairment, approximate its recoverable amount based on the above assessment. Accordingly, no impairment loss on interest in associates is recognised in profit or loss.

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

	2023	2022
	HK$'000	HK$'000
At 30 June		
Total non-current assets	**–**	–
Total current assets	**971**	3,535
Total current liabilities	**(178)**	(727)
Total non-current liabilities	**–**	–
Net assets	**793**	2,808
Proportion of effective interest held by the Group	**49%**	49%
Group's share of net assets of associates	**389**	1,376
For the year ended 30 June		
Revenue	**–**	444
Loss from operations	**(2,015)**	(5,660)
Other comprehensive income	**–**	(43)
Total comprehensive income for the year	**(2,015)**	(5,703)
Share of results of associates	**(987)**	(2,773)
Share of other comprehensive income of associates	**–**	(21)

20. INTERESTS IN ASSOCIATES (continued)

Ocean Pride Group

During the year ended 30 June 2022, the recoverable amount of the Ocean Pride Group was determined by the directors of the Company based on value-in-use calculations with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection based on the financial budgets approved by management covering a five-year period. The cash flow beyond the five-year period are extrapolated using a steady growth rate of 2%, which was based on the relevant industry growth rate and does not exceed the average long-term growth rate for the business in which the associate operates. The pre-tax discount rate adopted in the calculation was 16.34%.

As at 30 June 2022, the recoverable amount of interests in the Ocean Pride Group exceeded its carrying amount based on the above assessment. Accordingly, no impairment loss on interest in associates was recognised in profit or loss.

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

	2023 **HK$'000**	2022 HK$'000
At 30 June		
Total non-current assets	**6,627**	7,718
Total current assets	**51,775**	53,491
Total current liabilities	**(39,214)**	(42,415)
Total non-current liabilities	**(5,257)**	(5,257)
Net assets	**13,931**	13,537
Proportion of effective interest held by the Group	**17%**	17%
Group's share of net assets of associates	**2,368**	2,301
For the year ended 30 June		
Revenue	**100,442**	91,059
Profit/(loss) from operations	**2,021**	(29,633)
Other comprehensive income	**(1,627)**	(542)
Total comprehensive income for the year	**394**	(30,175)
Share of results of associates	**344**	(5,037)
Share of other comprehensive income of associates	**(277)**	(92)

21. INTERESTS IN JOINT VENTURES

	2023	2022
	HK$'000	HK$'000
Share of net assets	**1,956**	9,040

Particulars of the Group's joint ventures as at 30 June 2023 are as follows:

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

The Group has joint control over the arrangements as unanimous consent is required from all parties to the arrangements for the relevant activities of the aforesaid companies. The contractual arrangement in relation to the aforesaid companies provide the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for the liabilities of the joint arrangements resting primarily with these companies.

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

During the year, the recoverable amount of the Group's joint ventures was determined by the directors of the Company based on fair-value-less-costs-of-disposal basis with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection for a period of 17 years, discounted by the post-tax discount rate of 25.47% (2022: 22.77%). In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the commodity market are taken as reference.

As at 30 June 2023 and 2022, the recoverable amount of interests in the Group's joint ventures exceed its carrying amount based on the above assessment. Accordingly, no impairment loss on interests in joint ventures is recognised in profit or loss.

21. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information in relation to the joint ventures is presented below:

	2023 HK$'000	2022 HK$'000
At 30 June		
Total non-current assets	42,125	112,883
Cash and cash equivalents	2	4
Other current assets	155	155
Total current assets	157	159
Total current liabilities	(22,718)	(22,643)
Total non-current liabilities	–	–
Net assets	19,564	90,399
Reconciliation to the Group's interests in joint ventures:		
Proportion of effective interest held by the Group	10%	10%
Group's share of net assets of the joint ventures	1,956	9,040
For the year ended 30 June		
Revenue	–	–
Exploration expenses	(34)	(34)
Impairment loss on mining right	(70,758)	(151,938)
Other expenses	(71)	(75)
Loss for the year	(70,863)	(152,047)
Other comprehensive income	29	(223)
Total comprehensive income for the year	(70,834)	(152,270)
Share of results of joint ventures	(7,086)	(15,204)
Share of other comprehensive income of joint ventures	3	(22)

22. INVENTORIES

	2023	2022
	HK$'000	HK$'000
Raw materials	7,803	12,685
Work in progress	6,306	111
Finished goods	9,709	20,646
	23,818	33,442

During the year ended 30 June 2023, a write-down of inventories amounting to HK$716,000 (2022: HK$109,000) is recorded in cost of sales as presented in the consolidated statement of profit or loss.

23. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	HK$'000	HK$'000
Trade debtors, net	57,642	74,017
Loans receivable, net	145,455	160,017
Prepayments	6,932	5,651
Deposits and other receivables, net	15,572	21,063
VAT recoverable	9,613	10,267
	235,214	271,015
Less: Amount shown under non-current assets	–	(21,895)
Amount shown under current assets	235,214	249,120

(i) The Group usually grants credit period ranging from 30 to 60 days (2022: 30 to 60 days) to its trade customers.

(ii) The aging analysis of net trade debtors, based on invoice date, as of the end of the reporting period is as follows:

	2023	2022
	HK$'000	HK$'000
Within 30 days	25,247	46,536
31–60 days	16,940	9,549
61–90 days	9,069	11,161
Over 90 days	6,386	6,771
	57,642	74,017

23. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(iii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**2,038**	2,447
Reversal of expected credit loss recognised during the year	**(666)**	(375)
Exchange realignment	**(91)**	(34)
At end of year	**1,281**	2,038

As at 30 June 2023, allowance of HK$1,281,000 (2022: HK$2,038,000) were recognised, details of which are set out in Note 5(a)(i). The Group does not hold any collateral over these balances.

(iv) The aging analysis of net trade debtors based on past due date is as follows:

	2023 HK$'000	2022 HK$'000
Not yet past due	**36,200**	56,047
Past due 1–30 days	**13,240**	12,338
Past due 31–90 days	**7,646**	4,579
Past due more than 90 days	**556**	1,053
	57,642	74,017

Receivables that were not yet past due relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that there has not been a significant change in credit quality and the balances are still considered recoverable. The Group does not hold any collateral over these balances.

23. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(v) As at 30 June 2023, included in debtors, other loans and receivables, deposits and prepayments mainly consisted of:

(a) Other loans receivable from seven (2022: nine) independent third parties with aggregate principal amount of HK$133,436,000 (2022: HK$151,437,000) and related interest receivables of HK$13,199,000 (2022: HK$11,671,000).

The directors of the Company are of the opinion that, after taking into account the past payment history, impairment loss on the loans receivable of HK$1,180,000 (2022: HK$3,091,000) was made at the end of the reporting period.

Detail of the loans receivable as at 30 June 2023 and 2022 are as follows:

At 30 June 2023

Number of loans	Principal amount HK$'000	Interest receivables HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000	Interest rate	Maturity	Collateral/ guarantee detail
1	51,357	5,015	–	56,372	6%	Within 12 months from the end of reporting period	Pledge of leasehold land in Mainland China
2	18,755	1,879	(469)	20,165	6%–13%	Within 12 months from the end of reporting period	Personal guarantees from independent third parties
4	63,324	6,305	(711)	68,918	5%–6%	Within 12 months from the end of reporting period	Nil
7	133,436	13,199	(1,180)	145,455			

23. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(v) (continued)

(a) (continued)

At 30 June 2022

Number of loans	Principal amount HK$'000	Interest receivables HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000	Interest rate	Maturity	Collateral/ guarantee detail
1	57,404	4,042	–	61,446	6%	Within 12 months from the end of reporting period	Pledge of leasehold land in Mainland China
2	12,611	2,042	(1,102)	13,551	6%–13%	Within 12 months from the end of reporting period	Personal guarantees from independent third parties
6	81,422	5,587	(1,989)	85,020	5%–6%	Within 12 months from the end of reporting period	Nil
9	151,437	11,671	(3,091)	160,017			

(b) Amounts due from financial institutions amounting to HK$4,322,000 (2022: HK$5,293,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

(c) An amount due from a joint venture amounted to HK$2,565,000 (2022: HK$7,991,000). As at 30 June 2023, the balance is unsecured, interest-free and repayable on demand.

(vi) The below table reconciled the impairment loss of other loans and receivables for the year:

	2023 HK$'000	2022 HK$'000
At beginning of year	**27,935**	30,692
Written off during the year	**(15,794)**	–
Expected credit loss/(reversal of expected credit loss) recognised during the year	**5,275**	(2,239)
Exchange realignment	**(866)**	(518)
At end of year	**16,550**	27,935

24. BILLS RECEIVABLE

Bills receivable generally have credit terms ranging from 3 to 6 months. No bills receivables as at 30 June 2023 and 2022 are past due.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Equity securities held for trading and listed in Hong Kong	**5,930**	6,798

Fair values of the listed equity securities are determined based on the quoted market prices in an active market. During the year ended 30 June 2023, a fair value loss of HK$533,000 (2022: a fair value gain of HK$5,079,000) is recognised in profit or loss.

26. DERIVATIVE FINANCIAL LIABILITIES

Derivative not qualified for hedging

	2023 HK$'000	2022 HK$'000
Copper futures contracts	**177**	580

The major terms of the outstanding copper futures contracts of the Group which has not been designated as hedging instruments were as follows:

	2023	2022
Quantities (in tonnes)	**25**	75
Average price per tonne	**US$8,438**	US$9,263
Maturing in	**July 2023**	September 2022
Fair value loss of copper futures contracts recognised as current liabilities (in HK$'000)	**(177)**	(580)

The net increase in fair value of derivative financial instruments amounting to HK$62,000 (2022: net decrease in fair value of HK$734,000) has been recognised in profit or loss during the year.

27. PLEDGE OF ASSETS

As at 30 June 2023, save as disclosed elsewhere in these financial statements, the Group has pledged the following assets to secure general banking facilities and other loans granted to the Group. The carrying amounts of these assets are analysed as follows:

	Notes	2023 HK$'000	2022 HK$'000
Property, plant and equipment	15	–	181
Investment properties	16	631,086	691,145
Right-of-use assets	17	–	186
		631,086	691,512

28. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2023 HK$'000	2022 HK$'000
Bank balances and cash were denominated in the following currencies:		
RMB	77,313	63,790
HK$	3,513	3,827
U.S. Dollars	4,260	2,943
EURO	42	131
Mongolian Tughrik	537	655
	85,665	71,346

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

29. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

	2023 HK$'000	2022 HK$'000
Trade creditors	**55,173**	54,731
Contract liabilities (Note (i))	**16,553**	7,282
Other payables and accruals	**147,647**	79,982
Rental received in advance	**270**	35,061
	219,643	177,056
Less: Amount shown under non-current liabilities		
Other payables	**(7,334)**	(27,491)
Rental received in advance	**–**	(34,768)
	(7,334)	(62,259)
Amount shown under current liabilities	**212,309**	114,797

Aging analysis of trade creditors, based on invoice date or the date of recognition, is as follows:

	2023 HK$'000	2022 HK$'000
0–30 days	**37,179**	37,393
31–60 days	**11,459**	6,251
61–90 days	**1,631**	3,576
Over 90 days	**4,904**	7,511
	55,173	54,731

Note (i): Contract liabilities primarily relate to the advances received from customers for sale of goods. The advances remain as contract liabilities until they are recognised as revenue when control of goods is transferred to the customers. Typical payment terms which impact on the amount of contract liabilities are set out in Note 3.

29. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES (continued)

Changes in the contract liabilities balances during the year are as follows:

	2023 HK$'000	2022 HK$'000
At the beginning of year	7,282	4,945
Cash received	17,173	7,282
Recognised as revenue	(6,931)	(4,912)
Exchange realignment	(971)	(33)
At the end of year	16,553	7,282

HK$6,931,000 of the contract liabilities as at 1 July 2022 were recognised as revenue for the year ended 30 June 2023 from performance obligations satisfied during the year.

The contract liabilities as at 30 June 2023 were expected to be recognised as revenue in the next 12 months. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations which has an original expected duration of one year or less is not disclosed.

30. BORROWINGS

	2023 HK$'000	2022 HK$'000
Current:		
Bank loans, secured	115,563	130,037
Other loans, secured	–	50,000
Other loans, unsecured	13,614	–
	129,177	180,037
Non-current:		
Bank loans, secured	131,764	156,982

The effective interest rates for the bank loans as at 30 June 2023 ranged from 4.98% to 7.35% (2022: 1.5% to 7.6%) per annum. The unsecured other loans as at 30 June 2023 were interest free. The average effective interest rate for secured other loans as at 30 June 2022 were 10.8% per annum.

All borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

30. BORROWINGS (continued)

The Group's bank loans are secured by the pledge of certain investment properties amounting to HK$631,086,000 (2022: HK$638,945,000); corporate guarantees from the Company and its certain subsidiaries; and personal guarantee executed by the Directors of the Company, Chau Lai Him and Chau Chi Ho.

As at 30 June 2022, the other loans were secured by the pledge of certain property, plant and equipment, investment properties and right-of-use assets amounting to HK$181,000, HK$52,200,000 and HK$186,000 respectively; and corporate guarantees from the Company.

At 30 June 2023, total current and non-current bank loans were scheduled to repay as follows:

	2023	2022
	HK$'000	HK$'000
On demand or within one year	**115,563**	130,037
More than one year, but not exceeding two years	**25,921**	14,058
More than two years, but not exceeding five years	**105,843**	142,924
	247,327	287,019

31. PROMISSORY NOTES

On 30 April 2020, the Company issued promissory note with principal amount of HK$15,000,000 as the consideration to acquire 17% equity interest of Ocean Pride Ventures Limited of which HK$7,000,000 was early redeemed during the year ended 30 June 2020. The promissory note was unsecured, bear interest at 6% per annum and matured at 30 April 2021. During the year ended 30 June 2021, the maturity date was extended to 29 November 2021. During the year ended 30 June 2022, the maturity date was further extended to 29 May 2022. On 29 April 2022, its principal amount and accrued interest were fully paid in cash by the Company.

The promissory notes are initially recognised at their fair values at the dates of issue and subsequently measured at amortised cost using the effective interest method.

The movements of the promissory notes during the year ended 30 June 2022 are as follows:

	2022
	HK$'000
At 1 July	8,960
Imputed interest	421
Redemption	(8,000)
Interest paid	(1,381)
At 30 June	–

32. DEFERRED TAX ASSETS AND LIABILITIES

The following is the major deferred tax assets/(liabilities) recognised by the Group and their movements:

	Unused tax losses	Investment properties	Properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
1 July 2021	–	(49,465)	(38,725)	(88,190)
Credited/(charged) to profit or loss (Note 11)	12,877	(1,260)	–	11,617
Exchange realignment	–	645	1,667	2,312
At 30 June 2022 and 1 July 2022	**12,877**	**(50,080)**	**(37,058)**	**(74,261)**
(Charged)/credited to profit or loss (Note 11)	**(12,877)**	**316**	**–**	**(12,561)**
Disposal of subsidiary (Note 33)	**–**	**5,304**	**144**	**5,448**
Exchange realignment	**–**	**3,678**	**2,812**	**6,490**
At 30 June 2023	**–**	**(40,782)**	**(34,102)**	**(74,884)**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023	2022
	HK$'000	HK$'000
Deferred tax assets	**–**	12,877
Deferred tax liabilities	**(74,884)**	(87,138)
	(74,884)	(74,261)

As at 30 June 2023, the Group has unused tax losses of HK$320,086,000 (2022: HK$279,292,000) available for offset against future profits. A deferred tax asset has been recognised as at 30 June 2022 in respect of HK$78,041,000 for such losses. As at 30 June 2023, no deferred tax assets has been recognised in respect of the tax losses of HK$320,086,000 (2022: HK$201,251,000) due to unpredictability of future profit streams. Tax losses of HK$231,777,000 (2022: HK$212,939,000) may be carried forward indefinitely and the remaining amount would expire in five years from the respective dates of incurrence.

As at 30 June 2023 and 2022, the Group's subsidiaries established in the PRC have no unremitted earnings that are subject to withholding taxes.

33. DISPOSAL OF A SUBSIDIARY

On 15 March 2023, the Group, through a wholly-owned subsidiary, entered into an agreement with the independent purchasers to dispose of the entire issued share capital in a subsidiary, Shanghai Chau's Electrical Company Limited (the "**Disposal SCE**"), at the consideration of HK$19,063,000 in cash. The Disposal SCE is principally engaged in property holding in the PRC.

During the year ended 30 June 2023, the disposal of equity interest in the Disposal SCE was completed.

Details of the assets and liabilities of the Disposal SCE at the date disposal were:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	116
Investment properties	26,870
Other receivables, deposits, and prepayments	9,310
Bank balances and cash	112
Other payables and accruals	(10,737)
Deferred tax liabilities	(5,448)
Net assets disposed of	20,223
Cumulative exchange differences in respect of the net assets of the Disposal SCE reclassified from equity to profit or loss on loss of control of the Disposal SCE	(5,766)
Gain on disposal	4,606
Total consideration	19,063
Net cash inflow arising on disposal:	
Cash consideration (Note)	19,063
Less: Cash and bank balances disposed of	(112)
Net cash inflows	18,951

Note: During the year ended 30 June 2023, the consideration of HK$19,063,000 has been received by the Group.

34. SHARE CAPITAL

	Number of shares		Nominal value	
	2023	2022	**2023**	2022
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each:				
At beginning and end of the year	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning and end of the year	**2,374,532**	2,374,532	**23,745**	23,745

35. SHARE OPTION SCHEME

(a) On 18 December 2012, the Company adopted a share option scheme (the "**Scheme**") for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries of associated companies or such persons who from time to time are determined by the board of directors (the "**Board**") at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "**Participants**"), to strive for future developments and expansion of the Group. The Scheme was expired on 17 December 2022.

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 237,453,234 shares, which was approved at the annual general meeting held on 6 December 2019, representing 10% of the issued share capital as at 30 June 2022.

No share options were granted during the year ended 30 June 2023 and 2022. During the year ended 30 June 2022, 53,800,000 share options were lapsed. As at 30 June 2023 and 2022, the Company did not have any outstanding share option under the Scheme accordingly.

(b) On 5 December 2022, the Company adopted a new share option scheme (the "**New Scheme**") for the primary purpose of providing incentives to employees, executive and non-executive directors of the Company or any subsidiaries or such persons who from time to time are determined by the Board as its discretion as having contributed to the Group based on his/her performance and/or years of services, or valuable resources and other relevant factors (the "**Employee Participants**"), to recruit and retain high calibre employees. Additionally, the Company may, from time to time, grant share options to such persons who provide services to the Company or any subsidiaries on a continuing and recurring basis in the ordinary and usual course of business of the Group (the "**Service Providers**") in the interest of the long term growth of the Group as determined by the Board.

Under the New Scheme, the Board of the Company may grant options to the Employee Participants and Service Providers to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares, subject to a maximum of 237,453,234 shares, representing 10% of the issued share capital of the Company at the date of approval of the New Scheme from the Company's shareholders.

No share options were granted during the year ended 30 June 2023 under the New Scheme.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Interests in subsidiaries		**440,517**	595,708
Right-of-use assets		**2,700**	1,269
Total non-current assets		**443,217**	596,977
Current assets			
Deposits and prepayments		**557**	974
Bank balances and cash		**2,839**	2,371
Total current assets		**3,396**	3,345
Current liabilities			
Other advances and accrued charges		**1,619**	1,840
Lease liabilities		**1,031**	1,316
Total current liabilities		**2,650**	3,156
Net current assets		**746**	189
Total assets less current liabilities		**443,963**	597,166
Non-current liabilities			
Lease liabilities		**1,797**	–
Total non-current liabilities		**1,797**	–
Total net assets		**442,166**	597,166
EQUITY			
Capital and reserves			
Share capital	34	**23,745**	23,745
Reserves	37	**418,421**	573,421
Total equity		**442,166**	597,166

37. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2021	1,828,432	763,907	1,518	(2,003,562)	590,295
Loss and total comprehensive income for the year	–	–	–	(16,874)	(16,874)
Lapse of share options	–	–	(1,518)	1,518	–
At 30 June 2022 and 1 July 2022	**1,828,432**	**763,907**	**–**	**(2,018,918)**	**573,421**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**(155,000)**	**(155,000)**
At 30 June 2023	**1,828,432**	**763,907**	**–**	**(2,173,918)**	**418,421**

38. NON-CONTROLLING INTERESTS

During the years ended 30 June 2023 and 2022, Zhou's Marble has material non-controlling interests ("**NCI**"). The NCI of the remaining subsidiary that is not wholly-owned by the Group is considered to be immaterial.

Summarised financial information in relation to the NCIs of Zhou's Marble in the respective years, before intra-group eliminations, is presented below:

2023

	Zhou's Marble HK$'000
STATEMENT OF FINANCIAL POSITION	
Current assets	4,896
Non-current assets	83,162
Current liabilities	(74,429)
Non-current liabilities	(20,592)
Net liabilities	(6,963)
Accumulated NCI	(1,393)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Revenue	–
Loss for the year	(2,563)
Other comprehensive income for the year	630
Total comprehensive income for the year	(1,933)
Loss allocated to NCI	(513)
Other comprehensive income allocated to NCI	126
Cash flows used in operating activities	(1,962)
Cash flows generated from financing activities	1,938
Net cash outflows	(24)

38. NON-CONTROLLING INTERESTS (continued)

2022

	Zhou's Marble HK$'000
STATEMENT OF FINANCIAL POSITION	
Current assets	6,139
Non-current assets	90,593
Current liabilities	(76,050)
Non-current liabilities	(25,712)
Net liabilities	(5,030)
Accumulated NCI	(1,006)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Revenue	–
Profit for the year	5,127
Other comprehensive income for the year	128
Total comprehensive income for the year	5,255
Profit allocated to NCI	1,025
Other comprehensive income allocated to NCI	26
Cash flows generated from operating activities	5,596
Cash flows used in financing activities	(5,590)
Net cash inflows	6

39. CAPITAL COMMITMENTS

	2023 HK$'000	2022 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of construction of:		
Buildings	**–**	191,138

40. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

The employees of the subsidiaries of the Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in profit or loss of HK$3,238,000 (2022: HK$4,751,000) represent contributions paid/payable to these schemes by the Group in the year. As at 30 June 2023, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2022: Nil).

41. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in these financial statements, the Group did not have other material transactions with related parties.

Members of key management personnel of the Group during the year comprised only of the directors whose remuneration is set out in Note 9.

42. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

Capital structure of the Group comprises equity plus debts raised by the Group, including borrowings, net with bank balances and cash. The Group's management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debts. No change was made in the objectives, policies or processes for managing capital during the year ended 30 June 2023.

The net debt to equity ratio at the end of reporting period was as follows:

	2023 **HK$'000**	2022 HK$'000
Debts	**260,941**	337,019
Less: bank balances and cash	**(85,665)**	(71,346)
Net debts	**175,276**	265,673
Total equity	**888,155**	1,088,680
Net debt to equity ratio	**19.7%**	24.4%

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORIES

The carrying amounts of the Group's financial assets and liabilities as recognised at 30 June 2023 and 2022 are analysed into the following categories.

	2023 **HK$'000**	2022 HK$'000
Financial assets		
Financial assets at amortised cost		
– Debtors, other loans and receivables and deposits	**218,669**	255,097
– Bills receivable	**1,461**	865
– Pledged bank deposits	**–**	–
– Bank balances and cash	**85,665**	71,346
Financial assets at FVTPL		
– Equity investments	**5,930**	6,798
Financial liabilities		
Financial liabilities at amortised cost		
– Creditors, other advances and accrued charges	**202,820**	134,713
– Lease liabilities	**3,060**	1,991
– Borrowings	**260,941**	337,019
Financial liabilities at FVTPL		
– Derivative financial liabilities	**177**	580

44. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in the consolidated financial statements, the following event took place subsequently to 30 June 2023:

During the year ended 30 June 2020, a subsidiary of the Company (the "**Subsidiary**") entered into service agreements with a constructor (the "**Constructor**") in connection with the development of an industrial complex in Lianjiang, the PRC.

During the years ended 30 June 2021 and 2022, due to the continuous impact of the COVID-19, the Subsidiary has temporarily suspended the construction work in Lianjiang. On 7 November 2022, the Constructor lodged a litigation claim against the Subsidiary for an aggregate compensation of approximately RMB21,000,000 for the breach of the service and agreement by the Subsidiary and compensation of the suspension of the construction work. On 5 July 2023, according to the first court judgement, the Subsidiary is liable for the payment of RMB21,000,000 to the Constructor.

On 31 July 2023, the Subsidiary lodged an objection to appeal against the aforesaid court judgement. The Directors have evaluated all the circumstances and considered, after obtaining legal advice on the above claim, that it is more likely that the Subsidiary would not be obliged to pay the compensation as at 30 June 2023. Up to the date of these financial statements, no notification has been issued by the court with regard to the Subsidiary's appeal.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Interest payable on borrowings# HK$'000	Borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 July 2022	–	337,019	1,991	339,010
Changes from cash flows:				
Interest paid on borrowings	(19,630)	–	–	(19,630)
Repayment of interest portion of the lease liabilities	–	–	(138)	(138)
Repayment of principal portion of the lease liabilities	–	–	(2,066)	(2,066)
New bank and other loans raised	–	240,399	–	240,399
Repayment of bank and other loans	–	(244,225)	–	(244,225)
Total changes from financing cash flows:	(19,630)	(3,826)	(2,204)	(25,660)
Exchange differences	–	(22,252)	–	(22,252)
Other changes:				
Interest expenses	19,630	–	138	19,768
New leases	–	–	3,135	3,135
Settlement of other loans with consideration of the Disposal	–	(50,000)	–	(50,000)
Total other changes	19,630	(50,000)	3,273	(27,097)
At 30 June 2023	–	260,941	3,060	264,001

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Interest payable on borrowings# HK$'000	Borrowings HK$'000	Promissory notes HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 July 2021	–	260,679	8,960	3,202	272,841
Changes from cash flows:					
Interest paid on borrowings and promissory notes	(20,720)	–	(1,381)	–	(22,101)
Repayment of interest portion of the lease liabilities	–	–	–	(129)	(129)
Repayment of principal portion of the lease liabilities	–	–	–	(1,993)	(1,993)
Redemption of promissory notes	–	–	(8,000)	–	(8,000)
New bank loans raised	–	275,695	–	–	275,695
Repayment of bank loans	–	(191,295)	–	–	(191,295)
Total changes from financing cash flows:	(20,720)	84,400	(9,381)	(2,122)	52,177
Exchange differences	–	(8,060)	–	–	(8,060)
Other changes:					
Imputed interest on promissory notes	–	–	421	–	421
Interest expenses	20,720	–	–	129	20,849
New leases	–	–	–	782	782
Total other changes	20,720	–	421	911	22,052
At 30 June 2022	–	337,019	–	1,991	339,010

Interest payable on borrowings is included in creditors, other advances and accrued charges as presented in the consolidated statement of financial position.

Properties held for investment	Type	Lease term
A factory complex erected on a parcel of land located at Qiaozi Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Butian, Tangjiao District, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located in Beihuan Road, Changping Town, Dongguan City Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land known as Lot No. 1924130100056 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
Stone Industry Base located at the eastern side of K17 Lingtang of Provincial Highway S287, Tangpeng Town, Lianjiang City, Guangdong Province, the PRC	Industrial	Medium

FINANCIAL SUMMARY

RESULTS

The Group

	Year ended 30 June				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**374,316**	471,521	433,049	288,271	317,134
(Loss)/profit before taxation	**(164,198)**	(112,639)	188,631	(144,830	(297,291)
Income tax (expense)/credit	**(12,561)**	11,446	(20,779)	1,111	(5,545)
(Loss)/profit for the year	**(176,759)**	(101,193)	167,852	(143,719)	(302,836)
(Loss)/profit attributable to:					
Owners of the Company	**(176,246)**	(102,218)	156,346	(142,259)	(301,963)
Non-controlling interests	**(513)**	1,025	11,506	(1,460)	(873)
	(176,759)	(101,193)	167,852	(143,719)	(302,836)

Assets and liabilities

	At 30 June				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,446,860**	1,692,464	1,764,302	1,380,109	1,401,161
Total liabilities	**(558,705)**	(603,784)	(565,752)	(371,243)	(287,140)
Net assets	**888,155**	1,088,680	1,198,550	1,008,866	1,114,021
Attributable to:					
Owners of the Company	**889,204**	1,089,342	1,200,265	1,017,371	1,122,244
Non-controlling interests	**(1,049)**	(662)	(1,713)	(8,505)	(8,223)
	888,155	1,088,680	1,198,550	1,008,866	1,114,021