

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and express disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CIL Holdings Limited

華建控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 00479)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

RESULTS

The board of directors (the “Board”) of CIL Holdings Limited (the “Company”) hereby announces the audited consolidated final results of the Company and its subsidiaries (herein collectively referred to as the “Group”) for the year ended 30 June 2019, together with the comparative figures for the year ended 30 June 2018, as follows:

* For identification purpose only

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations:			
Revenue:			
Revenue from contracts with customers		132,406	74,176
Interest revenue		2,717	3,490
		<hr/>	<hr/>
Total revenue	4	135,123	77,666
Cost of goods sold		(131,874)	(61,807)
Cost of services rendered		–	(10,180)
		<hr/>	<hr/>
Gross profit		3,249	5,679
Other income	5	4,482	5,399
Other gains	6	176	571
Staff costs	7	(17,454)	(25,550)
Depreciation		(3,853)	(4,462)
Operating lease expenses		(3,199)	(4,982)
Other operating expenses		(10,102)	(20,496)
Fair value losses on investments at fair value through profit or loss, net	11,19	(20,353)	(49,253)
Reversal of impairment losses/(impairment losses) on loans and other receivables	8	6,810	(18,635)
Impairment loss of an intangible asset		(2,000)	–
Finance costs	9	(14,630)	(9,864)
		<hr/>	<hr/>
Loss before taxation		(56,874)	(121,593)
Income tax credit/(expenses)	10	40	(41)
		<hr/>	<hr/>
Loss for the year from continuing operations	11	(56,834)	(121,634)
Discontinued operation:			
Profit/(loss) for the year from discontinued operation	12	179	(5,619)
		<hr/>	<hr/>
Loss for the year		(56,655)	(127,253)
Other comprehensive loss for the year:			
<i>Item may be classified subsequently to profit or loss:</i>			
Exchange differences arising from translation to operations outside Hong Kong		(61)	(48)
		<hr/>	<hr/>
Total comprehensive loss for the year		(56,716)	(127,301)
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
(Loss)/profit for the year attributable to owners of the Company:			
– continuing operations		(56,184)	(120,441)
– discontinued operation		179	(5,619)
		<u>(56,005)</u>	<u>(126,060)</u>
Loss for the year attributable to non-controlling interests:			
– continuing operations		(650)	(1,193)
		<u>(650)</u>	<u>(1,193)</u>
Total comprehensive (loss)/profit for the year attributable to owners of the Company:			
– continuing operations		(56,245)	(120,489)
– discontinued operation		179	(5,619)
		<u>(56,066)</u>	<u>(126,108)</u>
Total comprehensive loss for the year attributable to non-controlling interests:			
– continuing operations		(650)	(1,193)
		<u>(650)</u>	<u>(1,193)</u>
Loss per share for loss attributable to owners of the Company			
– Basic and diluted	13		
– continuing operations (in HK cents)		(1.30)	(3.05)
– discontinued operation (in HK cents)		–	(0.14)
		<u>(1.30)</u>	<u>(3.19)</u>
– continuing and discontinued operations (in HK cents)		<u>(1.30)</u>	<u>(3.19)</u>

Consolidated Statement of Financial Position

As at 30 June 2019

	<i>Note</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		7,557	11,451
Intangible assets	15	–	7,321
Loans receivable	16	–	18,759
Refundable deposit	17	–	20,000
		<u>7,557</u>	<u>57,531</u>
Current assets			
Inventories		24	59
Loans receivable	16	29,597	15,247
Prepayments, deposits, interest and other receivables	17	41,450	15,993
Trade receivables	18	63,699	9,597
Investments at fair value through profit or loss	19	19,065	65,967
Tax recoverable		115	34
Pledged fixed deposit		–	900
Bank balances and cash		702	8,574
		<u>154,652</u>	<u>116,371</u>
Current liabilities			
Trade payable	20	64,734	8,457
Accruals, deposits received, interest and other payables	21	10,978	12,568
Tax payable		–	71
Borrowings, due within one year	22	66,439	75,664
		<u>142,151</u>	<u>96,760</u>

	<i>Note</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Net current assets		<u>12,501</u>	<u>19,611</u>
Total assets less current liabilities		<u>20,058</u>	<u>77,142</u>
Non-current liabilities			
Borrowings, due after one year	22	<u>20,888</u>	<u>20,868</u>
Net (liabilities)/assets		<u><u>(830)</u></u>	<u><u>56,274</u></u>
Capital and reserves			
Issued capital	23	43,351	43,351
Reserves		<u>(42,648)</u>	<u>13,806</u>
Equity attributable to owners of the Company		703	57,157
Non-controlling interests		<u>(1,533)</u>	<u>(883)</u>
Total (deficit)/equity		<u><u>(830)</u></u>	<u><u>56,274</u></u>

NOTES:

1. CORPORATE INFORMATION

CIL Holdings Limited (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 consolidated financial statements of the Company and its subsidiaries (collectively referred to the “Group”) are presented in Hong Kong dollars (“HKD”), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except otherwise indicated.

2. GOING CONCERN

During the year ended 30 June 2019, the Group incurred a net loss amounted to approximately HK\$56,655,000 (2018: HK\$127,253,000) and as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$830,000 (2018: the Group’s total assets exceeded its total liabilities by approximately HK\$56,274,000) and the Group had current borrowings of approximately HK\$66,439,000 (2018: HK\$75,664,000) whereas the Group had cash and cash equivalents of approximately HK\$702,000 (2018: HK\$8,574,000) only. In addition, the following conditions were noted:

- (i) the Group’s current borrowings comprise several other loans with aggregate carrying amount of HK\$30,000,000 (“HK\$30m Loans”) which constitute a default as at year end date;
- (ii) on 24 September 2019, the Company announced that it has received a writ of summons issued by a lender (the “Claimant”) against the Company to claim the outstanding balance of approximately HK\$24,887,000. As at 30 June 2019, the Company’s aggregate carrying amount due to the Claimant comprises the current borrowings of HK\$20,000,000 and interest payable of approximately HK\$4,255,000;
- (iii) the Group’s auditor has issued a qualified opinion on the consolidated financial statements for the current year, which may constitute an event of default under the bonds placing agreements. As at 30 June 2019, the Group’s bonds payable were classified as non-current liabilities with carrying amount of approximately HK\$20,888,000. Bond holders may exercise their rights to request the Group to repay the bond immediately.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company consider that the Group should be able to maintain itself as a going concern in the foreseeable future and the preparation of consolidated financial statements using going concern basis is appropriate as:

- (i) pursuant to several loan agreements dated on 23 September 2019, the lenders, among other things, have agreed to renew HK\$30m Loans to the Company to 30 June 2020;

- (ii) on 30 September 2019, the Company entered into a settlement agreement with the Claimant, pursuant to which, the Company has agreed to pay the Claimant the sum of approximately HK\$24,054,000 by instalments. On 3 October 2019, the Company announced that the Claimant and the Company jointly applied to the court on 2 October 2019 for a consent order whereby the Claimant is stipulated to wholly discontinue the court action against the Company;
- (iii) after paying cash of HK\$500,000 to the Claimant, on 11 November 2019, the Company and the Claimant entered into a supplemental settlement agreement, pursuant to which the Company will issue new 867,000,000 shares (“Settlement Shares”) at a consideration of HK\$0.02 per Settlement Share in the amount of HK\$17,340,000 and pay by cash in the amount of approximately HK\$6,214,000 to the Claimant;
- (iv) on 15 November 2019, the Company announced that it proposes to issue 2,601,072,923 to 2,621,572,923 rights share at the subscription prices of HK\$0.02 per rights share on the basis of 1 rights share for every 2 shares held by the qualifying shareholders on the record date and expects to receive the net proceeds of approximately HK\$52.0 million to HK\$52.4 million (the “Rights Issue”). Details of the Rights Issue are set out in the Company’s announcement dated 15 November 2019;
- (v) on 12 November 2019, the Company and Mr. Ke Jun Xiang, the Chairman and executive director of the Company entered into loans agreement pursuant to which Mr. Ke agrees to provide loans to the Company amounting to approximately HK\$100,000,000; and
- (vi) the directors of the Company prepared a working capital forecast for a period of 12 months ending on 30 June 2020, which have taken into consideration of the Group’s financial performance, working capital, liquidity position and the above-mentioned arrangements.

Should the Rights Issue not be fully subscribed or the loan facility provided by Mr. Ke not be available to the Group, the Group may not have sufficient working capital to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has adopted the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) effective for the first time in the current year:

HKFRS 9	Financial Instrument
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 1 and HKAS 28	As part of the Annual Improvements to HKFRS 2014-2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

Except as described below, the adoption of new and amendments to HKFRSs in the current has had no material impact on the Group’s financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

HKFRS 9 “Financial Instruments”

In the current year, the Group has adopted HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets (if any)) and (3) general hedge accounting.

The Group has adopted HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application of HKFRS 9) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Summary of effects arising from initial adoption of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, i.e. 1 July 2018. Line items that were not affected by the changes have not been included.

	Loans receivables included in		Refundable deposit included	Accumulated
	non-current assets <i>HK\$'000</i>	current assets <i>HK\$'000</i>	in non-current assets <i>HK\$'000</i>	losses <i>HK\$'000</i>
At 30 June 2018				
– amounts reported under HKAS 39	18,759	15,247	20,000	(432,773)
Effect arising from initial adoption of HKFRS 9:				
– Re-measurement of impairment loss under ECL model (<i>note</i>)	<u>(209)</u>	<u>(173)</u>	<u>(6)</u>	<u>(388)</u>
At 1 July 2018				
– amounts reported under HKFRS 9	<u>18,550</u>	<u>15,074</u>	<u>19,994</u>	<u>(433,161)</u>

Note:

The amount represents the impairment loss under 12-month ECL (“12m ECL”) and lifetime ECL upon application of HKFRS 9.

As at 1 July 2018, the additional credit allowance of HK\$388,000 has been recognised in accumulated losses and is charged against the respective asset. Based on the assessment performed on the date of initial adoption of HKFRS 9, the directors of the Company considered that the additional credit allowance in relation to trade receivables, pledged fixed deposit, bank balances and cash and other receivables are insignificant to the financial performance and position of the Group.

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) as at 30 June 2018 to the new impairment allowance measured with HKFRS 9 (under ECL model) at 1 July 2018:

	Impairment allowance under HKAS 39 HK\$'000	Additional impairment allowance under re-measurement HK\$'000	Impairment allowance under HKFRS 9 HK\$'000
Loans receivables (<i>note 16</i>)	9,000	382	9,382
Financial assets included in prepayments, deposits, interest and other receivables	9,635	6	9,641
Total	18,635	388	19,023

Loss allowances for loans receivables and financial assets included in prepayments, deposits, interest and other receivables are measured on 12m ECL basis (“Stage 1”) for those with no significant increase in credit risk since initial recognition, and measured on lifetime ECL basis for those with credit risk increased significantly (“Stage 2”), or assessed to be credit-impaired (“Stage 3”) since initial recognition.

HKFRS 15 “Revenue from Contracts with Customers”

The Group has adopted HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has adopted HKFRS 15 retrospectively with the cumulative effect of initial application recognised at the date of initial application, i.e. 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major sources:

- sales of goods; and
- interest income from financial assets (under HKFRS 9 as detailed previously).

Information about the Group’s performance obligations resulting from application of HKFRS 15 are disclosed in note 4.

Summary of effects arising from initial application of HKFRS 15

At the date of initial application, included in accruals, deposits received and other payables are receipt in advance from customers of approximately HK\$1,436,000 for the Group's obligation to deliver goods to customers that have not been completed as at that date. Such balance was reclassified to contract liabilities upon application of HKFRS 15. Other than that, the application of HKFRS 15 in current year has had no material effect on the Group's financial performance and positions for the current year and prior years and/or disclosures set out in these consolidated financial statements.

The following adjustment were made to the consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included:

	Carrying amounts previously reported at 30 June 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 15 at 1 July 2018 <i>HK\$'000</i>
Accruals, deposits received and other payables	12,568	(1,436)	11,132
Contract liabilities	–	1,436	1,436
	<u> </u>	<u> </u>	<u> </u>

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK (IFRIC) - Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment of Settlement ¹
Amendments to HKFRS 28	Long-term Interests in Associate and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of approximately HK\$2,115,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the adoption of HKFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

Except for the adoption of HKFRS 16 above, the directors of the Company anticipate that the adoption of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT INFORMATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Revenue from distribution and trading of:		
– server storage, multi-media and communication products	14,940	57,767
– rice cookers and household electrical appliances	4,413	5,393
– commodity products and automotive components	113,053	–
Revenue from entertainment segment:		
– concert ticket sales	–	8,791
– sponsorship income for concerts	–	2,225
	<u>132,406</u>	<u>74,176</u>
<i>Revenue from other sources</i>		
Interest income from money lending operations	<u>2,717</u>	<u>3,490</u>
Total revenue from continuing operations	<u><u>135,123</u></u>	<u><u>77,666</u></u>

(i) **Disaggregated revenue information from contracts with customers**

For the year ended 30 June 2019

Segments	Distribution and trading of			Total HK\$'000
	Server storage, multi-media and communication products HK\$'000	Rice cookers and household electrical appliances HK\$'000	Commodity products and automotive components HK\$'000	
Geographical markets				
Hong Kong	14,940	–	113,053	127,993
PRC	–	4,413	–	4,413
	<u>14,940</u>	<u>4,413</u>	<u>113,053</u>	<u>132,406</u>
Timing of revenue recognition				
At a point in time	<u>14,940</u>	<u>4,413</u>	<u>113,053</u>	<u>132,406</u>

Revenue recognised during the year ended 30 June 2019 that was included in contract liabilities at the date of initial application of HKFRS 15:

	2019 HK\$'000
Revenue from distribution of rice cookers and household electrical appliances	<u>1,436</u>

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Sales of server storage, multi-media and communication products, rice cookers and household electrical appliances and commodity products and automotive components

Customers obtain control of the products when the goods are delivered to/shipped at the shipping point and have been accepted. Revenue is thus recognised at a point in time basis upon when the customers accepted the products. There is generally only one performance obligation.

Segment information

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision maker (“CODM”). The Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

For the year ended 30 June 2019, the Group has six (2018: five) reportable operating segments for continuing operations. Details are as follows:

- (i) distribution and trading of server storage, multi-media and communication products in Hong Kong;
- (ii) trading of rice cookers and household electrical appliances in the People’s Republic of China (the “PRC”);
- (iii) trading of commodity products and automotive components in Hong Kong;
- (iv) money lending segment engages primarily in money lending operations in Hong Kong;
- (v) investments in securities segment engages primarily in the purchase and sale of securities and the holding of equity investments primarily for dividend income and capital appreciation; and
- (vi) entertainment segment engages primarily in organisation of concerts in Hong Kong and Macau.

The trading of sports car segment was classified as discontinued operations in prior year upon the transfer of the Group’s distribution rights in sports car to an individual third party.

The accounting policies of the reportable segments are the same as the Group’s accounting policies. Segment revenue represents the revenue generated by each operating segment. Segment results represent the profit earned by each operating segment without allocation of central administration expenses (unallocated corporate expenses), interest income, unallocated finance costs and income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than tax recoverable and unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than current tax liabilities and unallocated corporate liabilities.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segments for the years:

	Segment revenue		Segment results	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Distribution and trading of:				
– server storage, multi-media and communication products	14,940	57,767	(3,129)	(8,536)
– rice cookers and household electrical appliances	4,413	5,393	12	74
– commodity products and automotive components	113,053	–	(27)	–
Money lending	2,717	3,490	5,575	(6,480)
Investment in securities	–	–	(22,781)	(54,641)
Entertainment	–	11,016	250	(4,522)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total segment revenue/results from continuing operations	135,123	77,666	(20,100)	(74,105)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Reconciliation of segment results to consolidated loss before taxation

	2019	2018
	HK\$'000	HK\$'000
Total segment results	(20,100)	(74,105)
Interest income (<i>note 5</i>)	4,403	5,304
Unallocated finance costs	(12,642)	(7,179)
Unallocated depreciation	(3,806)	(3,949)
Unallocated staff costs	(15,435)	(19,555)
Unallocated gain on disposal of property, plant and equipment	183	241
Unallocated reversal of impairment loss/(impairment loss), net	649	(5,000)
Unallocated corporate expenses	(10,126)	(17,350)
	<u> </u>	<u> </u>
Consolidated loss before taxation from continuing operations	(56,874)	(121,593)
Profit/(loss) before taxation from discontinued operation	179	(5,619)
	<u> </u>	<u> </u>
Loss before taxation	(56,695)	(127,212)
	<u> </u>	<u> </u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segments for the years:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Segment assets		
Distribution and trading of:		
– server storage, multi-media and communication products	1,622	13,179
– rice cookers and household electrical appliances	22,512	23,664
– commodity products and automotive components	62,402	–
– sports car (discontinued)	–	9,392
Money lending	21,364	18,845
Investment in securities	20,084	71,162
Entertainment	–	58
	<hr/>	<hr/>
Total segment assets	127,984	136,300
Tax recoverable	115	34
Unallocated corporate assets	34,110	37,568
	<hr/>	<hr/>
Total assets	<u>162,209</u>	<u>173,902</u>
Segment liabilities		
Distribution and trading of:		
– server storage, multi-media and communication products	7,972	15,937
– rice cookers and household electrical appliances	354	1,458
– commodity products and automotive components	62,429	–
– sports car (discontinued)	–	10
Money lending	126	36
Investment in securities	11,044	26,974
Entertainment	–	10
	<hr/>	<hr/>
Total segment liabilities	81,925	44,425
Tax payable	–	71
Unallocated corporate liabilities	81,114	73,132
	<hr/>	<hr/>
Total liabilities	<u>163,039</u>	<u>117,628</u>

Other segment information

	Depreciation and amortisation		Reversal of impairment losses/ (impairment losses)		Fair value losses on investments at fair value through profit or loss		Finance costs		Capital expenditures		Gain/(loss) on disposal of property, plant and equipment	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:												
Distribution and trading of:												
– server storage, multi-media and communication products	(47)	(494)	-	-	-	-	(668)	(737)	-	6	(7)	330
– rice cookers and household electrical appliances	-	-	-	-	-	-	-	-	4	-	-	-
Money lending	-	(19)	3,911	(9,000)	-	-	-	-	-	-	-	-
Investment in securities	-	-	-	-	(20,353)	(49,253)	(1,320)	(1,948)	-	-	-	-
Entertainment	-	-	250	(4,635)	-	-	-	-	-	-	-	-
Unallocated	(3,806)	(3,949)	649	(5,000)	-	-	(12,642)	(7,179)	6	888	183	241
	(3,853)	(4,462)	4,810	(18,635)	(20,353)	(49,253)	(14,630)	(9,864)	10	894	176	571
Discontinued operation:												
Distribution of sports car												
	-	(1,470)	-	(4,109)	-	-	-	-	-	-	-	-
Total	(3,853)	(5,932)	4,810	(22,744)	(20,353)	(49,253)	(14,630)	(9,864)	10	894	176	571

Information about major customers

Revenue from each of the following single external customers for the year ended 30 June 2019 and 2018 accounted for more than 10% of the total revenue of the Group from continuing and discontinued operations are as follows:

	2019	2018
	HK\$'000	HK\$'000
Customer A	102,778	N/A*
Customer B	N/A*	26,655
Customer C	N/A*	20,514

* The corresponding revenue did not contribute over 10% of the total revenue of the Group from continuing and discontinued operations for that year.

Sales to Customer A relates to trading of commodity products and automotive components whereas sales to Customer B and C relate to distribution and trading of server storage, multi-media and communication products.

Geographical information

The Group's operations are located in Hong Kong and other parts of the PRC, most of the segments are carried in Hong Kong and other parts of the PRC. The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or service. The geographical location of the non-current assets other than loans receivable and refundable deposit is based on the physical location of the asset, in the case of property, plant and equipment and intangible assets. The Group's revenue by geographical location of the customers and information about its non-current assets by geographical location of the assets are set out below:

	Revenue from external customers from continuing operations		Non-current assets (note)	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong and other parts of the PRC (place of domicile)	<u>135,123</u>	<u>77,666</u>	<u>7,557</u>	<u>18,772</u>

Note: Non-current assets exclude loans receivable and refundable deposit.

5. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Interest income derived from:		
– bank deposits	1	68
– other loan receivable (note 16(b))	<u>4,402</u>	<u>5,236</u>
	4,403	5,304
Dividend income	29	30
Others	<u>50</u>	<u>65</u>
	<u>4,482</u>	<u>5,399</u>

6. OTHER GAIN

	2019 HK\$'000	2018 HK\$'000
Gain on disposal of property, plant and equipment	<u>176</u>	<u>571</u>

7. STAFF COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Directors' emoluments	10,383	13,493
Other staff costs:		
Salaries, commission, bonus and other short-term benefits	6,826	11,857
Retirement benefits scheme contributions	162	200
Post-employment benefits	83	–
	<u>17,454</u>	<u>25,550</u>
Total staff costs including directors' emoluments	<u><u>17,454</u></u>	<u><u>25,550</u></u>

8. REVERSAL OF IMPAIRMENT LOSSES/(IMPAIRMENT LOSSES), NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Impairment losses on loans receivables for ECL model:		
– Stage 3	(1,959)	–
Impairment losses on loans receivables for incurred loss model:		
– individually assessed	–	(9,000)
	<u>(1,959)</u>	<u>(9,000)</u>
Impairment losses on other receivables for ECL model:		
– Stage 1	(16)	–
– Stage 3	(465)	–
Impairment losses on other receivables for incurred loss model:		
– individually assessed	–	(9,635)
	<u>(481)</u>	<u>(9,635)</u>
Reversal of impairment losses:		
– loans receivables	7,000	–
– other receivable	2,250	–
	<u>9,250</u>	<u>–</u>
	<u><u>6,810</u></u>	<u><u>(18,635)</u></u>

9. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on other bank loans, bills and overdrafts	–	229
Discounting charge on factoring loans	78	208
Margin loan interest expenses	1,320	1,948
Other loan interest expenses	11,912	6,160
Bond interest expenses	1,320	1,319
	<u>14,630</u>	<u>9,864</u>

10. INCOME TAX CREDIT/(EXPENSES)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax		
Overprovision for prior year	–	30
Current year	–	–
PRC Enterprise Income Tax		
Overprovision for prior year	69	–
Current year	(29)	(71)
Deferred tax	–	–
Income tax credit/(expenses)	<u>40</u>	<u>(41)</u>

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2019 and 2018 as the Group did not have assessable profits in Hong Kong for both year.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of a subsidiary in the PRC is 25% for the year ended 30 June 2019 and 2018.

11. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging/(crediting) the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fair value losses on investments at fair value through profit or loss:		
– realised losses, net	11,831	29,936
– unrealised losses, net	8,522	19,317
	20,353	49,253
Cost of sales:		
– cost of inventories recognised as expenses in cost of sales	131,874	61,807
– cost of services rendered for concerts	–	10,180
	131,874	71,987
Auditors' remuneration:		
– in respect of audit services	989	917
– in respect of non-audit services	344	1,320
	1,333	2,237
Depreciation	3,853	4,462
Legal, professional and consultancy expenses	1,022	1,364
Net foreign exchange loss/(gain)	409	(1,353)
	409	(1,353)

12. DISCONTINUED OPERATION

On 26 September 2018, the Group and a purchaser entered into a transfer agreement (the “Transfer Agreement”), pursuant to which the Group agreed to dispose and transfer its distribution rights in sports car to a purchaser at a consideration of approximately HK\$5,500,000 and transfer the purchase deposits previously placed by the Group to the supplier amounting to HK\$4,000,000. Accordingly, the results of distribution of sports car segment are presented as profit/loss for the year from discontinued operation in the consolidated statement of profit or loss and other comprehensive income. Details are set out below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit/(loss) for the year from discontinued operation:		
Revenue	—	—
Amortisation	—	(1,470)
Impairment loss	—	(4,109)
Gain on disposal of intangible asset	179	—
Other operating expenses	—	(40)
Profit/(loss) before taxation	179	(5,619)
Income tax expenses	—	—
Profit/(loss) for the year from discontinued operation, attributable to owners of the Company	<u>179</u>	<u>(5,619)</u>
Cash flows from discontinued operation:		
Net cash used in operating activities	—	(46)
Net cash from investing activities	2,000	—
Net cash inflow/(outflow)	<u>2,000</u>	<u>(46)</u>

13. LOSS PER SHARE

From continuing operations

The calculation of basic loss per share for continuing operations is based on the Group’s loss from continuing operations attributable to owners of the Company of approximately HK\$56,184,000 (2018: HK\$120,441,000) and on the weighted average number of 4,335,146,000 (2018: 3,950,488,000) shares in issued during the year.

Basic and diluted loss per share from continuing operations for the years ended 30 June 2019 and 2018 were the same as the outstanding share options of the Company had no diluted effect due to the fact that the average market price of ordinary shares during that year did not exceed the exercise price of the share options.

From discontinued operation

Basic and diluted earnings/loss per share for discontinued operation is based on the Group's profit from discontinued operation attributable to owners of the Company of approximately HK\$179,000 (2018: loss from discontinued operation attributable to owners of the Company: HK\$5,619,000) and the denominators detailed above for both basic and diluted earnings/loss per share.

14. DIVIDENDS

No dividend was paid or proposed for the year ended 30 June 2019 (2018: nil), nor has any dividend been proposed since the end of the reporting period.

15. INTANGIBLE ASSETS

	Distribution rights in sports car HK\$'000 (note (a))	Money lender licence HK\$'000 (note (b))	Total HK\$'000
Cost			
At 1 July 2017, 30 June 2018, 1 July 2018	25,000	2,000	27,000
Disposal for the year	(25,000)	–	(25,000)
	<u>–</u>	<u>–</u>	<u>–</u>
At 30 June 2019	<u>–</u>	<u>2,000</u>	<u>2,000</u>
Accumulated amortisation and impairment			
At 1 July 2017	14,100	–	14,100
Charge for the year	1,470	–	1,470
Impairment loss for the year	4,109	–	4,109
	<u>19,679</u>	<u>–</u>	<u>19,679</u>
At 30 June 2018 and 1 July 2018	19,679	–	19,679
Impairment loss for the year	–	2,000	2,000
Eliminated upon disposal	(19,679)	–	(19,679)
	<u>–</u>	<u>2,000</u>	<u>2,000</u>
At 30 June 2019	<u>–</u>	<u>2,000</u>	<u>2,000</u>
Carrying amounts			
At 30 June 2019	<u>–</u>	<u>–</u>	<u>–</u>
At 30 June 2018	<u>5,321</u>	<u>2,000</u>	<u>7,321</u>

Note:

- (a) On 26 September 2018, the Group and a purchaser entered into the Transfer Agreement to dispose and transfer its distribution rights in sports car to a purchaser at a consideration of approximately HK\$5,500,000. Accordingly, as at 30 June 2018, the Group estimated the recoverable amount of distribution rights in sports car, being the fair value less costs of disposal, which is based on the consideration as stipulated in the Transfer Agreement.
- (b) Money lender licence (the “Licence”) is treated as having an indefinite useful life as, in the opinion of the directors of the Company, the Group expected that the money lending business could contribute net cash inflows to the Group indefinitely after acquiring the Licence. Accordingly, the Licence would not be amortised but would be tested for impairment annually and whenever there is an indication that it may be impaired.

During the year ended 30 June 2019, the Group recognised an impairment loss on the Licence amounting to approximately HK\$2,000,000 in the consolidated statement of profit or loss and other comprehensive income as the management expected a decrease in net margin of money lending business during the 5-year projection period.

16. LOANS RECEIVABLE

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
Loans receivable from money lending business:			
– personal loans		4,848	13,975
– corporate loan		10,000	10,272
		<hr/>	<hr/>
Gross carrying amount	(a)	14,848	24,247
Less: allowance for impairment loss		(1,047)	(9,000)
		<hr/>	<hr/>
		13,801	15,247
		<hr/>	<hr/>
Other loan receivable	(b)	17,090	18,759
Less: allowance for impairment loss		(1,294)	–
		<hr/>	<hr/>
		15,796	18,759
		<hr/>	<hr/>
		29,597	34,006
Less: amounts classified as current assets		(29,597)	(15,247)
		<hr/>	<hr/>
Amounts classified as non-current assets		–	18,759
		<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) The loans receivable arising from money lending business of the Group carry fixed contractual interest rates ranging from 15 to 20% (2018: 15 to 20%) per annum. Effective interest rates of these loans receivable ranged from 16 to 26% (2018: 16 to 26%) per annum. The granting of these loans has been approved and monitored by the Company’s executive directors in charge of the Group’s money lending business. Overdue balances are reviewed regularly by senior management. As at 30 June 2019 and 2018, the Group does not hold any collateral or any credit enhancements over these balances.

- (b) Pursuant to a loan agreement entered between the Company and 廣州市水立坊公共浴室有限公司 (“ShuiLiFang”) on 26 September 2014, the Company agreed to grant a loan in the principal amount of RMB21,000,000 (“ShuiLiFang Loan”). ShuiLiFang loan carries fixed interest rate of 25% per annum with original tenure of 5 years to 25 September 2019, which has been extended to 30 June 2020. Interest on the outstanding principal is payable half yearly. ShuiLiFang Loan is secured by a corporate guarantee executed by an independent third party and personal guarantees executed by individual shareholders of ShuiLiFang. There is no collateral or other credit enhancement over the balance.

As at 30 June 2019, the outstanding principal amount of ShuiLiFang Loan and its interest receivable are set out as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Outstanding principal balance of ShuiLiFang Loan	17,090	18,759
Interest receivable (<i>note 17</i>)	1,135	1,246
	<u>18,225</u>	<u>20,005</u>

17. PREPAYMENTS, DEPOSITS, INTEREST AND OTHER RECEIVABLES

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Rental deposits		853	2,475
Refundable deposit paid to secure an agency agreement	(a)	20,000	20,000
Purchase deposits		1,791	5,583
Refundable deposits previously paid			
for proposed acquisition	(b)	3,000	5,000
Other loan interest receivable (<i>note 16(b)</i>)		1,135	1,246
Interest receivable for loans receivable from money			
lending business		668	–
Expenses recoverable	(c)	–	4,635
Consideration receivable from loan assignment	(d)	7,000	–
Consideration receivable under the Transfer Agreement	(e)	7,500	–
Proceeds receivable from disposal of trading securities		1,000	5,161
Others		1,990	1,528
		<u>44,937</u>	<u>45,628</u>
Less: allowance for impairment loss		<u>(3,487)</u>	<u>(9,635)</u>
		41,450	35,993
Less: amounts classified as current assets		<u>(41,450)</u>	<u>(15,993)</u>
Amounts classified as non-current assets		<u>–</u>	<u>20,000</u>

Note:

- (a) As at 30 June 2019, the amount represents a deposit of HK\$20,000,000 (2018: HK\$20,000,000) placed by the Company to secure an agency agreement entered into between the Company and a supplier on 18 November 2013 for an initial term of 3 years commencing from the date of signing of the agency agreement, which was extended for another 3 years by the first supplemental agreement dated 16 November 2016 with other terms unchanged. Pursuant to the agency agreement and the second supplemental agreement, the Company or its subsidiaries were allowed by a supplier to distribute the supplier's rice cookers and household electrical appliances in the regions including the PRC, Southeast Asia, the Middle East, Africa and South America. The security deposit could be refunded in full without interest to the Company after the termination of the agency agreement. In October 2019, the Company and a supplier agreed to extend the agency agreement for a year to November 2020.
- (b) On 20 November 2017, the Company and a vendor entered into a memorandum of understanding ("MOU"), which has been supplemented by several supplemental MOUs, pursuant to which the Company intended to acquire the entire share capital of a target company which is involved in hotel operation in the PRC, for the consideration of RMB100,000,000 and the Company agreed to pay the vendor an initial refundable deposit of HK\$5,000,000 within five business days from the date of MOU. On 31 May 2018, the Company and the vendor entered into a termination agreement to terminate the MOU and its supplemental MOUs and the initial refundable deposit of HK\$5,000,000 was agreed to refund to the Company 60 days after the date of termination agreement without interest. Impairment loss had been made in full in respect of such amount as at 30 June 2018 as the directors consider the recoverability of the amount is in doubt. During the year ended 30 June 2019, the Group has recovered HK\$2,000,000 from the vendor and reversal of impairment loss has been made. The Group has initiated litigation against the vendor for the remaining balance. The Group does not hold any collateral over the balance.
- (c) Pursuant to an agreement for concert performance entered between the Group and an agent (the "Agent"), the Group is entitled to receive a portion of production costs from the Agent. Impairment loss has been made in full in respect of such amount as at 30 June 2018 as the directors consider the recoverability of the amount is in doubt. During the year ended 30 June 2019, the Group has recovered HK\$250,000 from the Agent and reversal of impairment loss has been made. The Group does not hold any collateral over the balance.
- (d) During the year ended 30 June 2019, the Group and an independent third-party individual entered into a loan assignment agreement, pursuant to which the Group assigns all rights and obligations relating to a loan receivable with gross balance of HK\$9,000,000, which had been fully impaired during the year ended 30 June 2018, to an independent third-party individual for a consideration of HK\$7,000,000. The consideration is agreed to be settled by instalment with final instalment due in December 2019.

- (e) Under the Transfer Agreement, the purchaser agreed to settle the consideration by monthly instalment with last instalment falling due in June 2019. Pursuant to supplemental transfer agreement, both parties agreed to extend the instalment due date with first instalment due in July 2019 and last instalment due in December 2019.

18. TRADE RECEIVABLES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>63,699</u>	<u>9,597</u>

The Group's trading terms with its customers are mainly on open account. As at 30 June 2019, there is no credit enhancement measure for the Group's trade receivables. As at 30 June 2018, certain trade receivables were transferred to a financial institution under a non-recourse factoring agreement. The credit period is generally for a period of up to 105 days (2018: 105 days). The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing and their carrying amounts approximate to their fair values.

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	62,401	7,848
31 - 60 days	771	1,723
Over 60 days	<u>527</u>	<u>26</u>
	<u>63,699</u>	<u>9,597</u>

As at 30 June 2019, the Group's trade receivables are not charged to secured any banking facilities. As at 30 June 2018, the Group's trade receivables with an aggregate carrying amount of HK\$2,784,000 had been charged to secure general banking facilities of the Group (note 22 and 25).

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Equity securities at fair value, listed in Hong Kong	<u>19,065</u>	<u>65,967</u>

As at 30 June 2019 and 2018, the listed equity investments are held for trading and are classified as financial assets at fair value through profit or loss. The fair values of the listed equity investments listed in Hong Kong were determined by quoted bid prices in an active market.

The particulars of the Group's listed equity investments as at 30 June 2019 are as follows:

Stock name	Number of shares held <i>'000</i>	Percentage held %	Purchase Cost <i>HK\$'000</i>	Fair value <i>HK\$'000</i>	Unrealised loss <i>HK\$'000</i>	Percentage to the Group's total assets %	Principal activities
Greater Bay Area Investments Group Holdings Limited (stock code: 261)	1,144,480	0.6	12,413	11,445	–	6.9	Sale of telecom and electronic products and supply of infant and baby products, property development and investment in mainland China and finance business in the PRC.
Prosperity International Holdings (H.K.) Limited (stock code: 803)	10,010	0.7	5,913	1,651	(4,239)	1.0	Real estate investment and development; mining and trading of iron ore and raw materials; and trading of clinker, cement and other building materials.
Hong Wei (Asia) Holdings Company Limited (stock code: 8191)	16,756	2.0	5,081	2,396	(2,585)	1.5	Manufacturing and selling of particleboards in the PRC and timber logging, plantation and sales of wood and agricultural products in the PRC.
Omnibridge Holdings Limited (stock code: 8462)	6,275	0.4	4,471	2,949	(1,522)	1.8	Provision of human resources outsourcing services and human resources recruitment services.
Others				<u>624</u>	<u>(176)</u>		
				<u>19,065</u>	<u>(8,522)</u>		

Realised gain or loss of investments at fair value through profit or loss for the year ended 30 June 2019 are summarised as follows:

Stock name	Stock Code	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sparkle Roll Group Limited	970	(8,917)	(9,047)
Omnibridge Holdings Limited	8462	(1,355)	–
China Gas Holdings Limited	384	(1,406)	324
Lerthai Group Limited	112	892	–
China Polymetallic Mining Limited	2133	–	(2,442)
Yi Hua Holdings Limited	2213	(61)	(14,807)
Hong Wei (Asia) Holdings Company Limited	8191	(777)	(3,795)
Others		(207)	(169)
		<u>(11,831)</u>	<u>(29,936)</u>

Note: In November 2018, the Group and an independent third-party individual buyer entered into a sales and purchase agreement to dispose shares of a listed company in Hong Kong to the buyer for cash consideration of HK\$10,000,000, which were agreed to settle by instalments. During the year ended 30 June 2019, the Group received cash consideration of HK\$3,800,000 and received shares of another Hong Kong listed company (the “Receiving Shares”) in lieu of settlement of HK\$5,200,000 instalment. The market value of the Receiving Shares at the time of receipt is approximately HK\$5,434,000. The remaining balance of HK\$1,000,000 was included in prepayments, deposits, interest and other receivables as at 30 June 2019 and has been settled subsequently.

At 30 June 2019, the Group’s listed equity investments with aggregate carrying amount of HK\$19,065,000 (2018: HK\$56,859,000) are pledged to securities brokerage firms to secure the margin financing facilities granted to the Group. Details are set out in note 22 and 25 to the consolidated financial statements.

20. TRADE PAYABLES

All of the trade payables are expected to be settled within one year. An ageing analysis, based on invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 - 30 days	62,338	8,429
31 - 60 days	731	–
Over 60 days	1,665	28
	<u>64,734</u>	<u>8,457</u>

21. ACCRUALS, DEPOSITS RECEIVED, INTEREST AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Staff costs payable	3,586	2,102
Due to a director (<i>note 26(b)</i>)	130	–
Interest payable (<i>note</i>)	4,309	–
Payables for the purchase of trading securities	–	6,707
Deferred revenue	–	1,436
Others	2,953	2,323
	<u>10,978</u>	<u>12,568</u>

Note: Included in interest payable balance as at 30 June 2019 is an amount of approximately HK\$4,255,000 relating to interest payable on other loans due to the Claimant. Details are set out in note 2 and 22(c)(i).

22. BORROWINGS

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank borrowings, secured:			
Factoring loan	(a)	–	2,511
Margin loans, secured	(b)	11,004	20,251
Other loans	(c)	55,435	52,902
Bonds, unsecured	(d)	20,888	20,868
		<u>87,327</u>	<u>96,532</u>
Less: amounts classified as current liabilities		<u>(66,439)</u>	<u>(75,664)</u>
Amounts classified as non-current liabilities		<u>20,888</u>	<u>20,868</u>
Analysed as:			
Secured and guaranteed		5,135	6,946
Secured but unguaranteed		31,304	39,351
Unsecured but guaranteed		30,000	29,367
Unsecured and unguaranteed		20,888	20,868
		<u>87,327</u>	<u>96,532</u>

Bank borrowings, margin loans and other loans are repayable either on demand or within a period of not exceeding one year. Bonds, based on the maturity terms, are repayable:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
More than one year but not exceeding five years	<u>20,888</u>	<u>20,868</u>

Borrowings are denominated in the following currencies:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
HKD	85,892	92,586
USD	<u>1,435</u>	<u>3,946</u>
	<u>87,327</u>	<u>96,532</u>

Note:

(a) Bank borrowings, secured

As at 30 June 2019, the Group has no bank borrowings. As at 30 June 2018, the Group's bank borrowings were variable-rate factoring loans which carried interest at 1% below standard bill rates quoted by bank and effective interest of 4.8% per annum, and were secured by trade receivables amounting to approximately HK\$2,784,000. As at 30 June 2018, factoring loans were secured by a fixed deposit placed by the Company (note 25) and corporate guarantee executed by the Company.

(b) Margin loans, secured

Margin loans are variable-rate borrowings with effective interest rates ranging from 7.4% to 8.4% (2018: 7.3% to 8.3%) and are secured by the Group's listed equity investments with aggregate carrying amounts of approximately HK\$19,065,000 (2018: HK\$56,859,000).

(c) Other loans

(i) Other loans payable to the Claimant

On 24 September 2019, the Company announced that it has received a writ of summons (“Writ”) issued by the Claimant against the Company to claim the outstanding balance of HK\$24,887,000 which comprises other loans of HK\$20,000,000 and interest payable of approximately HK\$4,887,000. On 30 September 2019, the Company announced that the Company and the Claimant entered into a settlement agreement pursuant to which the Company agreed to pay the Claimant the sum of HK\$24,054,000, which comprises outstanding balance together with legal costs incurred, by installments with first instalment due on 30 September 2019 and last instalment due on 30 June 2020. On 3 October 2019, the Company announced that the Claimant and the Company jointly applied to the court on 2 October 2019 for a consent order whereby the Claimant is stipulated to wholly discontinue the court action against the Company. After paying cash instalment of HK\$500,000 to the Claimant, on 11 November 2019, the Company and the Claimant entered into a supplemental settlement agreement, pursuant to which the Company will issue 867,000,000 Settlement Shares in the amount of HK\$17,340,000 and pay by cash in the amount of approximately HK\$6,214,000 to the Claimant.

As at 30 June 2019, other loans payable to the Claimant were in default and therefore the outstanding balance comprising other loans of approximately HK\$20,000,000 (2018: HK\$19,100,000) and interest payable of approximately HK\$4,255,000 (2018: HK\$ nil) was calculated at a default rate of 2% per month. As at 30 June 2018, the balance carried effective interest rates of 20% per annum with original tenure of 12 months. As at 30 June 2019 and 2018, the balance is secured by 417,800,000 shares of the Company, of which 324,800,000 shares are held by Mr. Ke Jun Xiang, the Chairman and executive director of the Company, and 93,000,000 shares are held by Mr. Wilson Wong, the Deputy Chairman and executive director of the Company.

(ii) Other balances of other loans

As at 30 June 2019, including in the Group's other loans balance were HK\$30m Loans with aggregate carrying amount of approximately HK\$30,000,000 (2018: HK\$29,367,000) which were in default and therefore carrying default interest rates ranging from 24% to 30% per annum. As at 30 June 2018, HK\$30m Loans had original terms of 12 months and carried effective interest ranging from 15.4% to 21.5% per annum. As at 30 June 2019 and 2018, HK\$30m loans are secured by personal guarantee executed by Mr. Ke Jun Xiang.

On 23 September 2019, the lenders of HK\$30m Loans have agreed, among other things, to renew HK\$30m Loans to the Company to 30 June 2020 and Mr. Wilson Wong has agreed to and Mr. Ke Jun Xiang has continued to agree to execute a personal guarantee to the lenders.

As at 30 June 2019, other loans of approximately HK\$5,435,000 (2018: HK\$4,435,000) are fixed-rate borrowings with effective interest rates of 12% (2018: 12%) per annum and have no fixed date of repayment. They are secured by the Group's yacht and loans of approximately HK\$5,135,000 (2018: HK\$4,435,000) are also secured by corporate guarantee executed by a subsidiary of the Company.

(d) Details of bonds are as follows:

	Maturity year	Principal <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
7-year 7% coupon straight bonds	2021	10,000	10,554	10,546
8-year 6% coupon straight bonds	2022	10,000	10,334	10,322
		<u>20,000</u>	<u>20,888</u>	<u>20,868</u>

In 2014, the Company has successfully placed two straight bonds with principal amount of HK\$10,000,000 each to two independent places with maturity dates falling in 7 to 8 years after the issuance.

If any of the following events of default occurs, any bondholder may give notice in writing to the Company that its bond are immediately due and repayable:

- (i) a default is made in the payment of the principal, interest or premium (if any), in respect of any of the bonds when and according to the relevant condition(s) the same ought to be paid; or
- (ii) a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the bond instrument or the bonds or the placing agreement (other than the covenant to pay the principal or premium (if any) in respect of any of the Bonds) and such default continues to exist for the period of 14 days after the service by any bondholder on the Company of notice specifying such default; or
- (iii) a resolution is passed by the Company or an order of competent jurisdiction is made that the Company be wound up or dissolved or is to dispose of all or a material part of its assets; or
- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that any major subsidiary of the Company be wound up or dissolved or is to dispose of all or a material part of its assets, otherwise, among other things, than for the purposes of consolidation, amalgamation, merger or reorganisation; or
- (v) property manager or receiver is appointed to take over all or a material part of the assets or obligations of the Company or any of its major subsidiaries; or
- (vi) a distress, execution or governmental seizure before judgment is levied or enforced upon or sued out against a material part of the assets of the Company and is not discharged within three days thereof; or
- (vii) the Company or any of its major subsidiaries is unable to pay its debts as and when they fall due or the Company or any of its major subsidiaries shall initiate or consent to proceedings relating to any applicable bankruptcy, reorganisation or insolvency law or for the benefit of its creditors, or enter into any composition with its creditors; or
- (viii) proceedings shall have been initiated against the Company or any of its major subsidiaries under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or shall have remained effective within a period of 21 days; or
- (ix) the auditors of the Company is not able to give unqualified views on the consolidated financial statements of the Company in respect of any financial year of the Company; or

any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (vii) to (ix) (inclusive) above.

The Group's auditor has issued a qualified opinion on the consolidated financial statements for the year ended 30 June 2019, which may constitute an event of default under the bonds placing agreements. Bond holder may exercise their rights to request the Group to repay the bond immediately.

23. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each		Nominal value	
	2019 '000	2018 '000	2019 HK\$'000	2018 HK\$'000
Authorised:	<u>60,000,000</u>	<u>60,000,000</u>	<u>600,000</u>	<u>600,000</u>
Issued and fully paid:				
At beginning of year	4,335,146	3,615,146	43,351	36,151
Issue of new shares for cash (note)	<u>–</u>	<u>720,000</u>	<u>–</u>	<u>7,200</u>
At end of year	<u>4,335,146</u>	<u>4,335,146</u>	<u>43,351</u>	<u>43,351</u>

Note:

On 22 December 2017 (after trading hours), the Company and a placing agent entered into a placing agreement to place, on a best effort basis, up to 720,000,000 placing shares of HK\$0.10 per placing share. On 12 January 2018, a total of 720,000,000 placing shares was successfully placed and completed. Share issued expenses amounting to approximately HK\$2,880,000 have been credited against share premium account. The new shares rank pari passu with the existing shares in all respect.

During the year ended 30 June 2019, the Company had not issued any shares.

24. OPERATING LEASE COMMITMENTS

Minimum lease payments paid under operating leases in respect of land and buildings excluding a director's quarter during the year amounting to approximately HK\$3,199,000 (2018: HK\$4,982,000).

As at 30 June 2019, the Group has commitments for future minimum lease under non-cancellable operating leases in respect of land and buildings mainly for its office premises. As at 30 June 2018, the Group had commitments for future minimum lease under non-cancellable operating leases in respect of land and buildings mainly for its office premises and a director's quarter. The operating lease commitments fall due as follows:

	2019 HK\$'000	2018 HK\$'000
Not later than one year	1,535	4,080
Later than one year but not later than five years	<u>580</u>	<u>720</u>
	<u>2,115</u>	<u>4,800</u>

Operating lease payment represents rentals payable by the Group for rental of land and buildings with remaining lease terms between 4 to 24 months (2018: 3 to 24 months) and rentals are fixed throughout the lease periods. The Group does not have an option to purchase the leased assets at the expiry of the lease periods.

25. PLEDGE OF ASSETS

During the year ended 30 June 2019, the Company ceased to execute its corporate guarantee and the Group ceased to pledge its fixed deposit and trade receivables to secure the Group's banking facilities. As at 30 June 2018, the Group's banking facilities were secured by the fixed deposit of the Company amounting to approximately HK\$900,000, fixed charge over trade receivables of the Group with an aggregate carrying amount of HK\$2,784,000 and a corporate guarantee executed by the Company.

As at 30 June 2019, the Group's margin loans are secured by the Group's listed equity investments with aggregate carrying amount of approximately HK\$19,065,000 (2018: HK\$56,859,000).

As at 30 June 2019, the Group's other loans amounting to approximately HK\$5,435,000 (2018: HK\$4,435,000) are secured by the Group's yacht with carrying amount of approximately HK\$3,267,000 (2018: HK\$5,445,000) and loans of approximately HK\$5,135,000 (2018: HK\$4,435,000) are also secured by corporate guarantee executed by a subsidiary of the Company.

26. MATERIAL TRANSACTIONS WITH RELATED PARTIES AND CONNECTED PERSONS

(a) Key management personnel remuneration

The remuneration of key management personnel of the Group during the year was as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Short term employee benefits	12,368	16,570
Post-employment benefits	188	122
	<u>12,556</u>	<u>16,692</u>

(b) Transactions with directors of the Company

During the year, the Group entered into the following material transactions with directors of the Company:

	2019	2018
	HK\$'000	HK\$'000
Advancement from Ms. Lo Yuen Chung ^{#1}	–	750
Repayment to Ms. Lo Yuen Chung	–	(2,045)
Advancement from Mr. Wilson Wong ^{#2} (note 21)	300	–
Repayment to Mr. Wilson Wong (note 21)	(170)	–
Facility provided by Mr. Ke Jun Xiang ^{#3}	30,000	–
Outstanding principal amount of the Group's other loans which are secured by:		
– personal guarantee executed by Mr. Ke Jun Xiang	30,000	30,000
– the Company's shares held by Mr. Ke Jun Xiang and Mr. Wilson Wong	20,000	20,000
	<u>30,000</u>	<u>20,000</u>

^{#1} Amount due to Ms. Lo Yuen Chung was interest-free, unsecured and had no fixed terms of repayment.

^{#2} Amount due to Mr. Wilson Wong was interest-free, unsecured and had no fixed terms of repayment.

^{#3} On 28 September 2018, Mr. Ke Jun Xiang issued an undertaking letter (the "2018 Undertaking Letter"), pursuant to which Mr. Ke Jun Xiang agreed to provide funding of HK\$30,000,000 to the Company. During the year ended 30 June 2019, the Company did not utilise any amount of the facility.

(c) Applicability of the Listing Rules relating to connected person transactions

The transactions set out in note (b) above are exempted connected transactions as they are conducted on terms favourable than normal commercial terms, and advancement, loans or guarantees are not secured by the assets of the Group.

27. EVENTS AFTER THE END OF THE REPORTING

- (a) On 23 September 2019, the Company entered into several loan agreements regarding HK\$30m Loans with the Lenders and the Lenders agree to renew HK\$30m Loans to the Company to 30 June 2020 (note 2 and 22(c)(ii));
- (b) On 24 September 2019, the Company announced that it has received the Writ issued by the Claimant against the Company to claim the outstanding balance due to the Claimant (note 2 and 22(c)(i));
- (c) On 30 September 2019, the Company entered into a settlement agreement with the Claimant and both parties have agreed that the Company will pay the outstanding balances by instalments (note 2 and 22(c)(i));
- (d) On 11 November 2019, the Company entered into a supplemental agreement with the Claimant, pursuant to which both parties have agreed that the Company will issue Settlement Shares to settle HK\$17,340,000 and pay HK\$6,214,000 by cash (note 2 and 22(c)(i));
- (e) On 12 November 2019, the Company and Mr. Ke Jun Xiang, the Chairman and executive director of the Company, has entered into loans agreement pursuant to which Mr. Ke agrees to provide loans to the Company amounting to approximately HK\$100,000,000 (note 2); and
- (f) On 15 November 2019, the Company announced the proposal of Rights Issue (note 2).

28. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified or restated to conform to the current year presentation.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The auditor expressed qualified opinion (“Qualified Opinion”) on the Group’s consolidated financial statements for the year ended 30 June 2019, the details of which will be set out in the independent auditor’s report in the forthcoming annual report of the Group.

In their opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of their report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by the HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

The basis for Qualified Opinion extracted from their report is as follows:

“Allowance for impairment losses of financial assets

During the year ended 30 June 2019, the Group adopted HKFRS 9 “Financial Instruments” for the first time in the current year. HKFRS 9 requires the Group to recognise impairment losses on all of its financial assets measured at amortised costs using expected credit loss model (“ECL”) since initial recognition or initial application of HKFRS 9 before the financial assets become credit-impaired. The Group recognises 12 months ECL (“12m ECL”) for all financial assets when the credit risks of those assets do not increase significantly or they are not credit-impaired at initial recognition (“Stage 1”). Otherwise, the Group recognises lifetime ECL when the risk of default of financial asset increases significantly (“Stage 2”) or when the financial assets are determined to be credit-impaired (“Stage 3”). The Group estimated each of the financial assets’ probability of default (“Pd”), exposure at default (“EAD”) and loss given default (“LGD”) to derive ECL at initial application of HKFRS 9 (i.e. 1 July 2018) and as at 30 June 2019. Disclosure of the impact of adoption of HKFRS 9 at the date of initial application and details of the Group’s ECL on financial assets at 30 June 2019 are set out in notes 3 and 7 to the consolidated financial statements, respectively.

As at 30 June 2019, the Group recognised allowance for impairment loss amounting to approximately HK\$66,000 in relation to the Group’s Stage 2 unsecured personal loans receivable with aggregate gross carrying amount of approximately HK\$4,848,000. At the time of advancement of these loans to individual borrowers, the Group did not request these borrowers to provide authorisation letters to the Group for performing credit search and as at year end date, the Group was unable to obtain credit search report to determine Pd. Therefore, the Group estimated Pd of these borrowers by using average historical default rate of the portfolio of unsecured personal loans receivables but was unable to provide us corroborative evidence to support that the average historical default rate represents each of the borrower’s specific credit risk. In addition, the Group used management judgement to estimate LGD on each of the EAD during the estimated life of the receivables but was unable to provide us corroborative evidence to support their estimation. We were unable to obtain sufficient appropriate audit evidence to ascertain whether the management estimated Stage 2 lifetime ECL is appropriate.

As at 30 June 2019, the Group recognised allowance for impairment loss amounting to approximately HK\$2,275,000 and HK\$465,000, which relate to the Group's Stage 3 corporate loans receivables with aggregate gross carrying amounts of approximately HK\$28,893,000 and Stage 3 consideration receivables included in deposit and other receivables with aggregate gross carrying amounts of approximately HK\$14,500,000. The Group determined lifetime ECL by using management judgement to estimate LGD on each of the EAD during the estimated life of the receivables but was unable to provide us corroborative evidence to support their estimation. We were unable to obtain sufficient appropriate audit evidence to ascertain whether the management estimated Stage 3 lifetime ECL is appropriate.

As disclosed in note 3 to the consolidated financial statements, the Group estimated the effect of initial application of HKFRS 9 regarding Stage 1 and Stage 2 loans receivables to be approximately HK\$382,000, which is based on the aforementioned methodology to estimate Pd and LGD to compute ECL of Stage 2 loans receivable. We were unable to obtain sufficient appropriate audit evidence to ascertain whether the disclosure of the effect of initial application of HKFRS 9 is appropriate.

Given the above scope limitation, there were no other satisfactory audit procedures that we could perform to determine whether ECLs determined upon initial application of HKFRS 9 and as at 30 June 2019 and the corresponding disclosures made in notes 3 and 7 to the consolidated financial statements were appropriate, and whether any adjustments to the allowance for impairment at initial application of HKFRS 9 and as at 30 June 2019 should be made.

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

The auditor also added “Material Uncertainty Related to Going Concern” paragraph in their report, which is extracted as below:

“We draw attention to note 2 to the consolidated financial statements. During the year ended 30 June 2019, the Group incurred a loss of approximately HK\$56,655,000 and as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$830,000 and the Group had current borrowings of approximately HK\$66,439,000 whereas the Group had cash and cash equivalents of approximately HK\$702,000 only. In addition, certain of the Group’s current borrowings of approximately HK\$50,000,000 was in default as at 30 June 2019 and the Group’s non-current bond payables of approximately HK\$20,888,000 may become default subsequently.

These conditions, together with other conditions as set out in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. The ability of the Group to continue as a going concern depends on the success of issuance of rights shares and the continuing existence of the facility lines provided by a director of the Company in the coming 12 months from the end of the reporting period to meet the Group’s forecasted future cash obligations as and when they fall due.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements. Our opinion is not qualified in respect of this matter.”

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

Comparing to last financial year, the Group's total consolidated revenue from continuing operations increased by 74.0% to approximately HK\$135,123,000 during year ended 30 June 2019 (2018: HK\$77,666,000).

The overall increase was mainly due to commencement of a new business in trading of commodity and automotive components for the year which contributed approximately HK\$113,053,000, or 83.67% to the total (2018: HK\$ nil). Revenue from the Group's core business of distribution and trading of server storage, multi-media and communication products had shrunk to approximately HK\$14,940,000 (2018: HK\$57,767,000) and accounted for only 11.06% (2018: 74.38%) of the total revenue.

Sales of goods during the year also included approximately HK\$4,413,000 (2018: HK\$5,393,000), or 3.27% (2018: 6.94%) of the total revenue from continuing operations, in distribution of rice cookers and household electrical appliances.

Income generated from money lending operation lowered to approximately HK\$2,717,000 (2018: HK\$3,490,000) and accounted for 2.01% (2018: 4.49%) of the total revenue.

During the year, there was no revenue from the business in entertainment (2018: HK\$11,016,000).

Owing to the persistent rise in cost of sales, the Group recorded reduction in overall gross profit to approximately HK\$3,249,000 as compared to approximately HK\$5,679,000 of last year, representing a decrease of 42.79%, as the gross profit ratio had declined to 2.40% (2018: 7.31%).

The Group earned other income of approximately HK\$4,482,000 (2018: HK\$5,399,000) which mainly comprised interest income deriving from bank deposits and other loan receivable as well as dividend income from held-for-trading investments.

For the year, there were gains of approximately HK\$176,000 (2018: HK\$571,000) arising from disposal of property, plant and equipment.

The Group continued to engage in investment in listed securities in Hong Kong during the year. Net fair value losses of approximately HK\$20,353,000 was recorded due to the volatility of the stock market (2018: HK\$49,253,000).

Staff costs for the year decreased to approximately HK\$17,454,000 (2018: HK\$25,550,000). Other operating expenses, comprising selling and distribution costs, other overheads and miscellaneous administrative costs, amounted to approximately HK\$10,102,000 (2018: HK\$20,496,000).

In respect of depreciation charge for property, plant and equipment, the amount was approximately HK\$3,853,000 (2018: HK\$4,462,000). Besides, operating lease expenses was reduced to approximately HK\$3,199,000 (2018: HK\$4,982,000).

Finance costs, including interest expenses on bank borrowings, margin loan, bonds and other loans, rose by 48.32% to approximately HK\$14,630,000 (2018: HK\$9,864,000).

To sum up, The Group recorded a loss attributable to owners of the Company from continuing operations of approximately HK\$56,184,000 for year ended 30 June 2019 (2018: HK\$120,441,000) and loss per share (basic and diluted) for the year was 1.30 HK cents (2018: 3.05 HK cents). In respect of the discontinued operation, the profit attributable to owners of the Company was approximately HK\$179,000 (2018: loss of HK\$5,619,000) and loss per share (basic and diluted) for the year was nil (2018: 0.14 HK cents). In aggregate, the loss for the year attributable to owners of the Company from both continuing and discontinued operations was approximately HK\$56,005,000 (2018: HK\$126,060,000) and loss per share (basic and diluted) for the year was 1.30 HK cents (2018: 3.19 HK cents).

Business review

Distribution and trading of server storage, multi-media and communication products

During the year, competition in the market was intensive and product demand from customers continued to be weak. The tough market condition has posed hard impact on our business. A segment loss of approximately HK\$3,129,000 (2018: HK\$8,536,000) was recorded for the period as a result of sustained thin profit margin.

Despite of the challenges facing us, we strive to reshape our business strategy to overcome the adverse situation and to provide our customers with the best quality of products and services.

Distribution of rick cooker and household electrical appliances

The Company continued to distribute rick cooker and household electrical appliances products in the PRC during the year and incurred a small profit of approximately HK\$12,000 (2018: HK\$74,000) in segment results. We are still in the course of identifying a suitable business partner for the distribution business in other regions. The management will monitor the project closely and revise our business strategy to meet the latest market condition when required.

Money lending

The Group's has gained approximately HK\$5,575,000 (2018: loss of HK\$6,480,000) from money lending business during the year. The Group believes that there is a constant demand in the market and is confident that it will continue to contribute positively to the Group's overall results. As the business is capital-driven in nature, the Group will constantly assess the level of resources to be allocated to this business segment with reference to the availability of capital.

Investment in securities

Due to the relatively volatile market condition, the Group suffered a segment loss of approximately HK\$22,781,000 (2018: HK\$54,641,000) in investment of local listed securities.

The source of finance for this segment is from the idle funds available from time to time. As the cash flow of the Group was getting tight, the portfolio size of investment in securities had been reduced substantially in the reporting period so as to redeploy financial resources for meeting other operational requirements.

Entertainment

The Group had not organised any musical live show during the year and recorded a small gain of approximately HK\$250,000 for the segment (2018: loss of HK\$4,522,000). Nevertheless, we are still active in soliciting with various artists and business partners in media production to secure production opportunities.

Trading of commodity and automotive components

The Group has commenced the business in trading of commodity and automotive components and recorded a minor loss of approximately HK\$27,000 in this segment during the year (2018: HK\$ nil). As this business arena is new to us, we will allocate our financial resources on a prudent basis. Currently, our tradable commodity is confined to industrial metals and automotive components and may expand to other categories when more experience is obtained from the operation.

Liquidity and capital resources

As at 30 June 2019, the Group had net liabilities of approximately HK\$830,000 (2018: net assets of HK\$56,274,000), comprising total assets of approximately HK\$162,209,000 (2018: HK\$173,902,000) and total liabilities of approximately HK\$163,039,000 (2018: HK\$117,628,000).

Total assets included total non-current assets of approximately HK\$7,557,000 (2018: HK\$57,531,000) and total current assets of approximately HK\$154,652,000 (2018: HK\$116,371,000).

Other than depreciation charge for the period, decrease in total non-current assets was mainly due to (i) disposal of distribution rights in sports car during with carrying amount of approximately HK\$5,321,000 as at 30 June 2018 (note 15(a)); (ii) impairment of money lender licence of approximately HK\$2,000,000 (note 15(b)) and (iii) ShuiLiFang Loan of approximately HK\$17,090,000 (2018: HK\$18,759,000) (note 16(b)) and the refundable deposit of approximately HK\$20,000,000 (2018: HK\$20,000,000) for securing an agency agreement (note 17(a)), classified as non-current assets as at the last year end, were transferred to current assets as at the current year end as both of them are due for repayment in the next financial year.

In addition to the re-classification of ShuiLiFang Loan and the deposit for securing an agency agreement, expansion of total current assets was also caused by increase of trade receivables to approximately HK\$63,699,000 (2018: HK\$9,597,000). Meanwhile, balances of the following items of current assets had dropped: (i) investments at fair value through profit or loss decreased to approximately HK\$19,065,000 (2018: HK\$65,967,000) and (ii) total amount of pledged fixed deposit as well as bank balances and cash reduced to approximately HK\$702,000 (2018: HK\$9,474,000).

Total liabilities as at 30 June 2019 was approximately HK\$163,039,000 (2018: HK\$117,628,000), comprising non-current liabilities of approximately HK\$20,888,000 (2018: HK\$20,868,000) and current liabilities of approximately HK\$142,151,000 (2018: HK\$96,760,000).

Non-current liabilities represented wholly by outstanding bonds. Current liabilities mainly consisted of accruals, deposits received and other payables of approximately HK\$10,978,000 (2018: HK\$12,568,000), margin loans payable of approximately HK\$11,004,000 (2018: HK\$20,251,000) and other loans payable of approximately HK\$55,435,000 (2018: HK\$52,902,000). The main factor leading to overall expansion of current liabilities was rise in trade payables to approximately HK\$64,734,000 (2018: HK\$8,457,000).

Due to the funds used up in the current operating activities and also additional financial resource was needed to support the new business, total cash resources of the Group consisting only of bank balances and cash had diminished to approximately HK\$702,000 (2018: HK\$9,474,000, including pledged fixed deposit of approximately HK\$900,000) and were denominated in HKD, USD and RMB.

The current ratio, representing by current assets divided by current liabilities, was 1.09 (2018: 1.20).

As at 30 June 2019, the aggregate amount of bank borrowings, margin loan payable and other loans of approximately HK\$66,439,000 (2018: HK\$75,664,000) were denominated in HKD and USD. They were subject to interest at prevailing commercial lending rates. Together with the outstanding bonds of approximately HK\$20,888,000 (2018: HK\$20,868,000), which were denominated in HKD, total borrowings amounted to approximately HK\$87,327,000 (2018: HK\$96,532,000). Calculation of the gearing ratio, which is based on the Group's total borrowings being divided by shareholders' total equity, would not be appropriate as the shareholders' total equity was in deficiency as at the reporting date.

In light of the highly geared financial position, the Group is exercising strict budgetary control on its financial resources. In addition, Mr. Ke Jun Xiang, the Chairman and executive director of the Company, commits to provide funding of not less than HK\$100,000,000 to the Company pursuant to a letter of undertaking (note 2(v)) and the Company also announced a proposal of rights Issue on 15 November 2019 for raising new fund (note 2(iv)). Having taken into consideration of the Group's financial performance, working capital, liquidity position and available facilities from financial institutions, the directors of the Company are of the opinion that the Group would still be able to meet in full its financial obligations as they fall due for the foreseeable future.

Outlook

Looking forward, our Group will continue to devote the best efforts in keeping the development of our existing business on a steady pace. Meanwhile, we are actively securing fresh financial resources and at the same time looking for new investment and growth opportunities through a strategy of business diversification.

As there is growing importance to the development of the Guangdong-Hong Kong-Macau Greater Bay Area, we expect a lot of business opportunities in the region will be opened up and feel confident of our growth and development in the near future.

Treasury policies

The Group's monetary assets and transactions are principally denominated in HKD, RMB and USD. The management considers that the Group's exposure to USD does not give rise to significant currency risk on the ground that HKD is pegged to USD. The Group exposes to currency risk that are denominated in RMB and currently does not have any hedging policy against RMB. However, the management is monitoring the Group's currency risk exposure closely and will consider hedging significant currency risk exposure should the need arise.

As at 30 June 2019, the Group's bank borrowings were based on floating interest rates which are still at a relatively low level because the banks in Hong Kong have sufficient capital and strong liquidity. Although the Group does not have any hedging measures against such interest rate risks, we will continue to closely monitor the risks arising from such interest rate movements. When interest rate rises, hedging instruments will be used in due course against the interest rate risks caused by HKD-denominated borrowings which are based on floating interest rates.

Commitments

Except for operating lease commitments in respect of land and buildings amounting to approximately HK\$2,115,000 (2018: HK\$4,800,000), the Group had no other commitment as at 30 June 2019.

Material acquisitions and disposals

The Group did not have any material acquisitions and disposals of subsidiaries during the year ended 30 June 2019.

Employees and remuneration policy

The Group had 24 employees as at 30 June 2019 (2018: 32). They were remunerated according to the prevailing manpower conditions and individual performance. There was no change on the staff policy during the year ended 30 June 2019. During the period, the staff cost (including directors' remunerations) amounted to approximately HK\$17,454,000 (2018: HK\$25,550,000). The Company may grant share options to directors of the Company, employees of the Group and other eligible participants under the share option scheme adopted and approved in the year 2011. There were 62,000,000 share options outstanding under the share option scheme as at 30 June 2019 (2018: 74,000,000).

Contingent liabilities

The Group did not have contingent liabilities as at 30 June 2019.

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

Neither the Company, nor any subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2019.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices and the Listing Rules

The Company has applied the principles of the Corporate Governance Code (the "CG Code") setting out in Appendix 14 of the Listing Rules therein as its own code on corporate governance practices. In the opinion of the Board of the Company, the Company had complied with the CG Code during the year ended 30 June 2019, except for the deviation from code provision A.2.1.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The chairman of the Company has doubled up as CEO since 12 August 2014 due to the resignation of the former CEO from the position.

On 1 July 2019, Mr. Kwok Yam Sheung (Mr. “Kwok”) resigned as an independent non-executive director of the Company. Meanwhile, Mr. Kwok also ceased to be chairman of Remuneration Committee, member of Audit Committee and Nomination Committee. As there was no immediate replacement to fill the vacancy of Mr. Kwok, the Company had (i) only two independent non-executive directors, which resulted in the number of independent non-executive directors falling below the minimum number required under Rule 3.10(1) of the Listing Rules or one-third of the board as required under Rule 3.10A of the Listing Rules; (ii) only two members of Audit Committee, which resulted in the number of members of Audit Committee falling below the minimum number required under Rule 3.21 of the Listing Rules; and (iii) no Chairman of Remuneration Committee, which did not comply with Rule 3.25 of the Listing Rules. These situations were rectified when Mr. Chow Ho Wan, Owen was appointed as an independent non-executive director of the Company on 30 September 2019.

The Company announced on 27 September 2019, stating its inability to comply with Rule 13.49 of the Listing Rules to publish its annual results for the year ended 30 June 2019 no later than three months after the financial year end by 30 September 2019. Shares of the Company have been suspended from trading since 2 October 2019 pursuant to Rules 13.50 of the Listing Rules.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors of the Company. Having made specific enquiry, all of the directors of the Company confirmed that they had complied with the Model Code throughout the year ended 30 June 2019. The Model Code also applies to the senior management of the Group.

REVIEW OF RESULTS BY AUDIT COMMITTEE AND AUDITORS

The Audit Committee of the Company has reviewed with the management regarding the accounting principles and practices adopted by the Group in respect of the Group’s consolidated financial statements for the year ended 30 June 2019 and has discussed internal controls and financial reporting matters including a review of the figures. The committee was established in compliance with Rule 3.21 of the Listing Rules and the membership currently comprises all three existing independent non-executive directors of the Company.

The figures in respect of this preliminary announcement of the Group's results for the year ended 30 June 2019 have been agreed by the Group's auditors, Messrs. Graham H.Y. Chan & Co., to the amounts set out in the Group's consolidated financial statements for the year ended 30 June 2019. The work performed by Messrs. Graham H.Y. Chan & Co. in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Graham H.Y. Chan & Co. on this preliminary results announcement.

PUBLICATION OF RESULTS ON THE INTERNET

This announcement of final results is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.cil479.com.hk under the section of "Announcement". The annual report of the Group for the year ended 30 June 2019 containing all the information required by Appendix 16 of the Listing Rules will also be published on both websites in due course.

On behalf of the Board
CIL Holdings Limited
Ke Jun Xiang
Chairman

Hong Kong, 15 November 2019

As at the date of this announcement, the executive directors of the Company are Mr. Ke Jun Xiang (Chairman and Chief Executive Officer), Mr. Wilson Wong (Deputy Chairman), Ms. Lo Yuen Chung and Mr. Fu Daoding; the non-executive directors of the Company are Mr. Chow Yeung Tuen, Richard and Mr. Li Chung Kai, Philip; and the independent non-executive directors of the Company are Mr. Chan Siu Kay, Mr. Choi Chin Yu and Mr. Chow Ho Wan, Owen.