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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 2020

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 2020, together with the comparative figures for the year ended 30 June 2019, as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Note	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Continuing operations:			
Revenue	5	49,236	132,406
Cost of goods sold		<u>(48,046)</u>	<u>(131,874)</u>
Gross profit		1,190	532
Other income	6	4,667	4,482
Other gains and losses	7	3,127	176
Staff costs	8	(12,327)	(17,311)
Depreciation		(3,606)	(3,853)
Short-term lease expenses		(182)	(2,479)
Other operating expenses		(8,244)	(9,912)
Fair value losses on investments at fair value through profit or loss, net	12	(8,706)	(20,353)
(Impairment losses)/reversal of impairment losses on loans and other receivables	9	(587)	899
Finance costs	10	<u>(15,813)</u>	<u>(14,630)</u>
Loss before taxation		(40,481)	(62,449)
Income tax credit	11	<u>–</u>	<u>40</u>
Loss for the year from continuing operations	12	(40,481)	(62,409)
Discontinued operations:			
(Loss)/profit for the year from discontinued operations	13	<u>(7,227)</u>	<u>5,754</u>
Loss for the year		(47,708)	(56,655)
Other comprehensive loss for the year:			
<i>Item may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation to operations outside Hong Kong		<u>(76)</u>	<u>(61)</u>
Total comprehensive loss for the year		<u>(47,784)</u>	<u>(56,716)</u>

	2020	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
(Loss)/profit for the year attributable to owners of the Company:		
– continuing operations	(40,010)	(61,759)
– discontinued operations	<u>(7,227)</u>	<u>5,754</u>
	<u>(47,237)</u>	<u>(56,005)</u>
Loss for the year attributable to non-controlling interests:		
– continuing operations	<u>(471)</u>	<u>(650)</u>
Total comprehensive (loss)/profit for the year attributable to owners of the Company:		
– continuing operations	(40,086)	(61,820)
– discontinued operations	<u>(7,227)</u>	<u>5,754</u>
	<u>(47,313)</u>	<u>(56,066)</u>
Total comprehensive loss for the year attributable to non-controlling interests:		
– continuing operations	<u>(471)</u>	<u>(650)</u>
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company		
– Basic and diluted	14	
– continuing operations (in HK cents)	(0.83)	(1.43)
– discontinued operations (in HK cents)	<u>(0.15)</u>	<u>0.13</u>
– continuing and discontinued operations (in HK cents)	<u>(0.98)</u>	<u>(1.30)</u>

Consolidated Statement of Financial Position

At 30 June 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		4,161	7,557
Right-of-use assets		633	–
		<u>4,794</u>	<u>7,557</u>
Current assets			
Inventories		1,850	24
Loans receivable	16	21,492	29,597
Prepayments, deposits, interest and other receivables	17	24,164	41,450
Trade receivables	18	3,030	63,699
Investments at fair value through profit or loss		17,402	19,065
Tax recoverable		–	115
Bank balances and cash		378	702
		<u>68,316</u>	<u>154,652</u>
Current liabilities			
Trade payable	19	6,124	64,734
Accruals, deposits received, interest and other payables		18,491	10,978
Lease liabilities		771	–
Borrowings	20	83,333	66,439
		<u>108,719</u>	<u>142,151</u>

	2020	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current (liabilities)/assets	<u>(40,403)</u>	<u>12,501</u>
Total assets less current liabilities	<u>(35,609)</u>	<u>20,058</u>
Non-current liabilities		
Borrowings	20 <u>–</u>	<u>20,888</u>
Net liabilities	<u>(35,609)</u>	<u>(830)</u>
Capital and reserves		
Issued capital	21 52,021	43,351
Reserves	<u>(85,626)</u>	<u>(42,648)</u>
(Deficit)/equity attributable to owners of the Company	(33,605)	703
Non-controlling interests	<u>(2,004)</u>	<u>(1,533)</u>
Total deficit	<u>(35,609)</u>	<u>(830)</u>

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Attributable to owners of the Company						Total	Non-controlling interest	Total equity/ (deficit)
	Issued capital	Share premium	Capital reserve	Share-based payment reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2018	43,351	437,143	(100)	9,584	(48)	(433,161)	56,769	(883)	55,886
Loss for the year	-	-	-	-	-	(56,005)	(56,005)	(650)	(56,655)
Other comprehensive loss for the year	-	-	-	-	(61)	-	(61)	-	(61)
Total comprehensive loss for the year	-	-	-	-	(61)	(56,005)	(56,066)	(650)	(56,716)
<i>Transactions with owners</i>									
Forfeiture of share options	-	-	-	(1,769)	-	1,769	-	-	-
At 30 June 2019	<u>43,351</u>	<u>437,143</u>	<u>(100)</u>	<u>7,815</u>	<u>(109)</u>	<u>(487,397)</u>	<u>703</u>	<u>(1,533)</u>	<u>(830)</u>
At 1 July 2019	43,351	437,143	(100)	7,815	(109)	(487,397)	703	(1,533)	(830)
Loss for the year	-	-	-	-	-	(47,237)	(47,237)	(471)	(47,708)
Other comprehensive loss for the year	-	-	-	-	(76)	-	(76)	-	(76)
Total comprehensive loss for the year	-	-	-	-	(76)	(47,237)	(47,313)	(471)	(47,784)
<i>Transactions with owners</i>									
Issue of settlement shares (note 21)	8,670	4,335	-	-	-	-	13,005	-	13,005
Forfeiture of share options	-	-	-	(1,240)	-	1,240	-	-	-
At 30 June 2020	<u>52,021</u>	<u>441,478</u>	<u>(100)</u>	<u>6,575</u>	<u>(185)</u>	<u>(533,394)</u>	<u>(33,605)</u>	<u>(2,004)</u>	<u>(35,609)</u>

NOTES:

1. CORPORATE INFORMATION

CIL Holdings Limited (the “Company”, together with its subsidiaries collectively referred to the “Group”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Trading in the shares of the Company on the Stock Exchange has been suspended since 5 October 2020.

The principal activity of the Company is investment holding. Its principal subsidiaries are engaged into (i) distribution of server storage, multi-media and communication products in Hong Kong; (ii) distribution of rice cookers and household electrical appliances in the People’s Republic of China (the “PRC”); (iii) distribution of other products in Hong Kong; and (iv) investments in securities. During the year ended 30 June 2020, the Company’s subsidiary did not renew its money lender license (“Money Lender License”) and ceased to be a licensed money lender in Hong Kong. Therefore, the Group classified the results of money lending business as discontinued operation and the comparative information for the year ended 30 June 2019 has been restated. Details are set out in note 13.

The consolidated financial statements of 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. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, except for investments at fair value through profit or loss, which have been measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3. GOING CONCERN

Financial performance and position of the Group

During the year ended 30 June 2020, the Group incurred a net loss of approximately HK\$47,708,000 (2019: HK\$56,655,000) and as of that date, the Group's total liabilities exceeded its total assets by approximately HK\$35,609,000 (2019: HK\$830,000) and the Group's current liabilities included current borrowings of approximately HK\$83,333,000 (2019: HK\$66,439,000), whereas the Group's bank balances and cash amounted to approximately HK\$378,000 (2019: HK\$702,000) only.

As at 30 June 2020, the Group's borrowings with aggregate carrying amount of approximately HK\$73,171,000 were in default and no settlement agreement has been entered into as of the date of this announcement. These borrowings comprise:

- (a) Bonds issued by the Company with aggregate carrying amount of HK\$21,996,000 (note 20(c));
- (b) Unsecured but guaranteed borrowings with aggregate carrying amount of HK\$30,000,000 and statutory demands have been served subsequently (note 20(b)(iii));
- (c) Secured but unguaranteed borrowings with carrying amount of HK\$6,214,000 (note 20(b)(ii));
- (d) Margin loans with aggregate carrying amount of HK\$14,661,000 (note 20(a)); and
- (e) Secured but unguaranteed borrowings with aggregate carrying amount of HK\$300,000 (note 20(b)(ii)).

The other loans as referred in note 20(b)(i) of approximately HK\$5,091,000, note 20(b)(ii) of approximately HK\$750,000 and note 20(b)(iii) of approximately HK\$2,500,000 were also in default as at 30 June 2020 and subsequent settlements have been made or extension agreements have been entered into after the end of the reporting period.

Subsequently, after the completion of enforcement of securities in relation to a loan receivable, Turbo Billion Investment Limited ("Turbo Billion", together with its subsidiary, "Turbo Billion Group") has become a subsidiary of the Company. Details are set out in note 16(b) and 23 to this announcement. Basing on the unaudited completion account of Turbo Billion Group as at 28 June 2021, Turbo Billion Group has made provision for outstanding claims of approximately HK\$191,342,000 as of that date. No subsequent settlement nor settlement agreement has been entered into for these claims as of the date of this announcement.

Resumption guidance

On 18 May 2020, the Company announced that they have received a letter dated 15 May 2020 from the Stock Exchange, which served as a notice pursuant to Rule 6.10 of the Listing Rules, that the Stock Exchange had decided to suspend trading in the shares of the Company under Rule 6.01(3) of the Listing Rules and proceed with cancellation of the Company's listing under Rule 6.01A of the Listing Rules (the "Decision"). The Company is required to submit a resumption proposal to demonstrate that it has a sufficient level of operations and assets as required by Rule 13.24 of the Listing Rules. If the Company fails to submit a viable resumption proposal, the Stock Exchange will proceed with cancellation of the Company's listing.

On 26 May 2020, the Company announced that they have filed an application for a review by the Listing Committee in relation to the Decision. On 16 September 2020, the Listing Committee held a review hearing of the Decision and remained concerned about the viability and sustainability of the Company's business and hence decided to uphold the Decision (the "Listing Committee Decision").

On 28 September 2020, the Company announced that they have filed an application for a review by the Listing Review Committee in relation to the Listing Committee Decision.

On 30 September 2020, the Company was unable to publish the audited consolidated financial statements of the Group for the year ended 30 June 2020 and trading in the Company's shares has then been suspended since 5 October 2020.

On 29 December 2020, the Stock Exchange informed the Company of the following resumption guidance (the "Initial Resumption Guidance"):

- (a) to publish all outstanding financial results required under the Listing Rules and address any modifications; and
- (b) to demonstrate compliance with Rule 13.24 of the Listing Rules.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 4 April 2022. If the Company fails to remedy the issues causing its trading suspension, fulfil the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 4 April 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

On 29 January 2021, the Company received a letter from the Listing Review Committee that they had decided to uphold the Listing Committee Decision.

On 30 November 2021, the Company announced that one of the Independent Non-Executive Director (“INED”) of the Company resigned. Following the resignation of the INED, the Company has 2 INEDs, 2 members of Audit Committee and no Chairman of Remuneration Committee, which does not comply with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules. On 3 December 2021, the Stock Exchange imposes the following additional resumption guidance (the “Additional Resumption Guidance”, together with the Initial Resumption Guidance, the “Resumption Guidance”) for the resumption of trading in the shares of the Company:

- (a) re-comply with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules.

As of the date of this announcement, the Group is still finalising a resumption proposal with a will to submit resumption proposal in due course.

Material uncertainty related to going concern

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 the consolidated financial statements using going concern basis is appropriate as:

- (a) the Group has already made agreements with several lenders for borrowings that were default as at 30 June 2020 or subsequently became default to extend the repayment due date. Details are set out in note 20 to this announcement;
- (b) the Company has entered into a loan facility agreement with a third party on 11 February 2022 in the amount of up to HK\$100,000,000 for a term of 2 years. Details are set out in note 23 to this announcement;
- (c) the Company has already identified one potential business acquisition. If such potential business acquisition could be realised, sufficient profits and cash flows could be generated to the Group to settle its liabilities;
- (d) the Company is planning to place new shares to potential investors to finance the above-mentioned potential business acquisition; and
- (e) the directors of the Company prepared a working capital forecast for a period of 18 months ending on 30 June 2023, which have taken into consideration of the Group’s financial performance, working capital, liquidity position and the above-mentioned potential business acquisition and financing sources, and considered that the Group has sufficient working capital for the coming 12 months from the date of this announcement.

Should the 2-year loan, the potential business acquisition and the placing of shares not be materialised timely, 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.

4. ADOPTION OF NEW STANDARD, AMENDMENTS TO STANDARDS AND INTERPRETATION

The Group has adopted the following new standard, amendments to standards and interpretation issued by the HKICPA which are effective for the first time in the current year:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for the impact of adoption of HKFRS 16 “Leases”, the adoption of other amendments to standards and interpretations above does not have significant impact on the results and financial position of the Group.

HKFRS 16 “Leases”

HKFRS 16 replaces HKAS 17 “Leases”, and the related interpretations, HK(IFRIC) – Interpretation 4 “Determining whether an arrangement contains a lease”, HK(SIC) 15 “Operating leases – incentives”, and HK(SIC) 27 “Evaluating the substance of transactions involving the legal form of a lease”. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

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

Upon adoption of HKFRS 16, at the commencement date of the lease, the 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. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group’s incremental borrowing rate at the lease commencement date.

The Group has initially applied HKFRS 16 as from 1 July 2019. The Group has elected to use the modified retrospective approach and the Group chooses to recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17 at an amount equal to the lease liability, adjusted by amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position. Comparative information has not been restated and continues to be reported under HKAS 17.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients at the date of initial application:

- (i) The Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 June 2020;
- (ii) When measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 30 June 2019 as an alternative to performing an impairment review; and
- (iii) The Group excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application.

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

	At 1 July 2019 <i>HK\$'000</i>
Operating lease commitments disclosed at 30 June 2019	2,115
Less: short-term leases recognised on a straight-line basis as expenses and other leases with remaining lease terms ended on or before 30 June 2020	(880)
operating lease commitments of leases contracted before 1 July 2019 with lease commencement date on or after 1 July 2019	(929)
discount arising from conversion into present value by discounting cash flows using the Group's incremental borrowing rate at 1 July 2019	(8)
	<u>298</u>
Lease liabilities recognised upon application of HKFRS 16 as at 1 July 2019	<u><u>298</u></u>

The Group's weighted average incremental borrowing rate as at 1 July 2019 is 4.36%.

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	At 1 July 2019 <i>HK\$'000</i>
Office premise leased for own use, carried at depreciated cost	197
Car parking space leased for own use, carried at depreciated cost	101
	<u><u>298</u></u>

New standard, amendments to standards and interpretations which are not yet effective

The following new standard, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 July 2020 or later periods but which the Group has not early adopted:

HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) ⁶
Amendments to HKAS 1 and HKFRSs Practice Statement 2	Disclosure of Accounting Policies ⁶
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKAS 8	Definition of Accounting Estimates ⁶
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities from a Single Transaction ⁶
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ⁵
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁵
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform – Phase 1 ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ³
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁷
Amendments to HKFRS 16	COVID-19 Related Rent Concessions ³
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 ⁴
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle ⁵
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁵

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

² 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

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

⁴ Effective for annual periods beginning on or after 1 April 2021

⁵ Effective for annual periods beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 January 2023

⁷ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the adoption of new standard, amendments to standards and interpretations will have no material impact on the Group's consolidated financial statements.

5. REVENUE AND SEGMENT INFORMATION

	2020 HK\$'000	2019 HK\$'000 (restated)
Revenue from contracts with customers from continuing operations		
Revenue from distribution of:		
– server storage, multi-media and communication products	27,551	14,940
– rice cookers and household electrical appliances	2,287	4,413
– other products (including building materials, commodity products and automotive components)	<u>19,398</u>	<u>113,053</u>
Total revenue from continuing operations	<u>49,236</u>	<u>132,406</u>
Revenue from other sources from discontinued operations		
Interest income from money lending operations	<u>704</u>	<u>2,717</u>
Total revenue from discontinued operations (note 13)	<u>704</u>	<u>2,717</u>
Total revenue from continuing and discontinued operations	<u><u>49,940</u></u>	<u><u>135,123</u></u>

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

For the year ended 30 June 2020

Segments	Distribution of			Total HK\$'000
	Server storage, multi-media and communication products HK\$'000	Rice cookers and household electrical appliances HK\$'000	Other products HK\$'000	
Geographical markets				
Hong Kong	27,551	–	19,398	46,949
PRC	–	2,287	–	2,287
	<u>27,551</u>	<u>2,287</u>	<u>19,398</u>	<u>49,236</u>
Timing of revenue recognition				
At a point in time	<u>27,551</u>	<u>2,287</u>	<u>19,398</u>	<u>49,236</u>

For the year ended 30 June 2019

Segments	Distribution of			Total HK\$'000
	Server storage, multi-media and communication products HK\$'000	Rice cookers and household electrical appliances HK\$'000	Other products 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>

There was revenue recognised during the year ended 30 June 2020 in respect of the amount included in contract liabilities as at 30 June 2019. 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 other products

Customers obtain control of the products when the goods are delivered to 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 2020, the Group has five (2019: five) reportable operating segments for continuing operations. Details are as follows:

- (i) distribution of server storage, multi-media and communication products in Hong Kong;
- (ii) distribution of rice cookers and household electrical appliances in the PRC;
- (iii) distribution of other products (including building materials, commodity products and automotive components) in Hong Kong;
- (iv) 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
- (v) entertainment segment engages primarily in organization of concerts in Hong Kong and Macau.

During the year ended 30 June 2020, the Company’s subsidiary did not renew its Money Lender License and ceased to be a licensed money lender in Hong Kong. Therefore, the Group classified the results of money lending business as discontinued operation and the comparative segment information for the year ended 30 June 2019 has been restated.

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/loss incurred by each operating segment without allocation of central administration expenses (unallocated corporate expenses), interest income, unallocated finance costs and income tax credit. 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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Continuing operations:				
Distribution of:				
– server storage, multi-media and communication products	27,551	14,940	(1,620)	(3,129)
– rice cookers and household electrical appliances	2,287	4,413	(194)	12
– other products	19,398	113,053	(166)	(27)
Investment in securities	–	–	(10,421)	(22,781)
Entertainment	–	–	–	250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total segment revenue/results from continuing operations	<u>49,236</u>	<u>132,406</u>	<u>(12,401)</u>	<u>(25,675)</u>

Reconciliation of segment results to consolidated loss before taxation

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Total segment results	(12,401)	(25,675)
Interest income	4,667	4,403
Unallocated finance costs	(13,578)	(12,642)
Unallocated depreciation	(3,592)	(3,806)
Unallocated staff costs	(11,009)	(15,435)
Unallocated other gain or losses	4,084	183
Unallocated (impairment loss)/reversal of impairment loss on loans and other receivables	(587)	649
Unallocated corporate expenses	<u>(8,065)</u>	<u>(10,126)</u>
Consolidated loss before taxation from continuing operations	(40,481)	(62,449)
(Loss)/profit before taxation from discontinued operations	<u>(7,227)</u>	<u>5,754</u>
Loss before taxation	<u>(47,708)</u>	<u>(56,695)</u>

Segment assets and liabilities

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment assets		
Distribution of:		
– server storage, multi-media and communication products	5,035	1,622
– rice cookers and household electrical appliances	21,120	22,512
– other products	–	62,402
Investment in securities	17,403	20,084
Entertainment	–	–
Money lending (discontinued)	4,277	21,364
	<hr/>	<hr/>
Total segment assets	47,835	127,984
Tax recoverable	–	115
Unallocated corporate assets	25,275	34,110
	<hr/>	<hr/>
Total assets	<u>73,110</u>	<u>162,209</u>
Segment liabilities		
Distribution of:		
– server storage, multi-media and communication products	12,524	7,972
– rice cookers and household electrical appliances	32	354
– other products	–	62,429
Investment in securities	14,743	11,044
Entertainment	–	–
Money lending (discontinued)	747	126
	<hr/>	<hr/>
Total segment liabilities	28,046	81,925
Unallocated corporate liabilities	80,673	81,114
	<hr/>	<hr/>
Total liabilities	<u>108,719</u>	<u>163,039</u>

Other segment information

	Depreciation and amortisation		(Impairment losses)/ reversal of impairment losses on loans and other receivables		Fair value losses on investments at fair value through profit or loss		Finance costs		Capital expenditures		Other gain or losses	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:												
Distribution of:												
- server storage, multi- media and communication products	(14)	(47)	-	-	-	-	(631)	(668)	3	-	(16)	(7)
- rice cookers and household electrical appliances	-	-	-	-	-	-	-	-	-	4	-	-
- other products	-	-	-	-	-	-	-	-	-	-	(941)	-
Investment in securities	-	-	-	-	(8,706)	(20,353)	(1,604)	(1,320)	-	-	-	-
Entertainment	-	-	-	250	-	-	-	-	-	-	-	-
Unallocated	(3,592)	(3,806)	(587)	649	-	-	(13,578)	(12,642)	10	6	4,084	183
	(3,606)	(3,853)	(587)	899	(8,706)	(20,353)	(15,813)	(14,630)	13	10	3,127	176
Discontinued operation:												
Money lending (note 13)	-	-	(7,760)	5,911	-	-	-	-	-	-	800	-
Distribution of sport cars (note 13)	-	-	-	-	-	-	-	-	-	-	-	179
Total	(3,606)	(3,853)	(8,347)	6,810	(8,706)	(20,353)	(15,813)	(14,630)	13	10	3,927	355

Information about major customers

Revenue from each of the following single external customers for the year ended 30 June 2020 and 2019 accounted for more than 10% of the total revenue of the Group from continuing operations are as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	14,273	N/A*
Customer B	12,327	N/A*
Customer C	19,398	N/A*
Customer D	N/A*	102,778

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

Sales to Customer A and B relate to distribution of server storage, multi-media and communication products. Sales to Customer C and D relate to distribution of other 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 is based on the physical location of the asset, in the case of property, plant and equipment and right-of-use 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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong and other parts of the PRC (place of domicile)	<u>49,236</u>	<u>132,406</u>	<u>4,794</u>	<u>7,557</u>

6. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income derived from:		
– bank deposits	–	1
– other loan receivable	<u>4,667</u>	<u>4,402</u>
	4,667	4,403
Dividend income	–	29
Others	<u>–</u>	<u>50</u>
	<u>4,667</u>	<u>4,482</u>

7. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gain on extinguishment of a portion of borrowings (<i>note 20(b)(ii)</i>)	3,257	–
Gain on modification of borrowings (<i>note 20(b)(ii)</i>)	2,625	–
Loss on modification of borrowings (<i>note 20(b)(ii)</i>)	(632)	–
Written off of rental and management fee deposits (<i>note (i)</i>)	(703)	–
Written off of purchase deposits (<i>note (ii)</i>)	(941)	–
Impairment loss on property, plant and equipment (<i>note (iii)</i>)	(403)	–
(Loss)/gain on disposal of property, plant and equipment	<u>(76)</u>	<u>176</u>
Other gains and losses from continuing operations	<u>3,127</u>	<u>176</u>
Gain on settlement of receivables (<i>note 17(c)</i>)	800	–
Gain on disposal of intangible assets	<u>–</u>	<u>179</u>
Other gains and losses from discontinued operations (<i>note 13</i>)	<u><u>800</u></u>	<u><u>179</u></u>

Note:

- (i) On 3 February 2020, the Group entered into a tenancy agreement with a landlord to rent an office premise and rental and management fee deposits of approximately HK\$703,000 were placed to landlord. However, the Group did not perform fitting out works nor move into the office premise, which constituted a breach of tenancy agreement. As a result, the rental and management fee deposits were forfeited by the landlord and written off of deposit is recognised in profit or loss.
- (ii) During the year ended 30 June 2020, the Group has placed a purchase deposit for inventories amounting to approximately HK\$941,000 for trading of building materials. Since the Group could not be able to seek for customer for this business and the balance as of the date of this announcement is still outstanding, the deposit was written off and recognised in profit or loss.
- (iii) As at 30 June 2020, the Group identified an indicator of impairment loss on Mainland China-Hong Kong Cross-Border License Plate (the “License Plate”) and determined that the recoverable amount of the License Plate, being the estimated fair value less cost of disposal, is approximately HK\$797,000. Accordingly, an impairment loss on property, plant and equipment of approximately HK\$403,000 was recognised in “other gains and losses” in profit or loss.

8. STAFF COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Directors' emoluments	3,578	10,383
Other staff costs:		
Salaries, commission, bonus and other benefits	8,597	6,689
Retirement benefits scheme contributions	152	162
Post-employment benefits	—	77
	<hr/>	<hr/>
Staff costs from continuing operations	12,327	17,311
	<hr/>	<hr/>
Staff costs from discontinued operations:		
Salaries, commission, bonus and other benefits	92	137
Retirement benefits scheme contributions	6	6
	<hr/>	<hr/>
Staff costs from discontinued operations (<i>note 13</i>)	98	143
	<hr/>	<hr/>
Total staff costs from continuing and discontinued operations	<u>12,425</u>	<u>17,454</u>

9. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000 (restated)
(Impairment losses)/reversal of impairment losses from continuing operations:		
in respect of other receivables:		
– Stage 1	(744)	(16)
– Stage 3	<u>861</u>	<u>2,000</u>
	<u>117</u>	<u>1,984</u>
in respect of loans receivables:		
– Stage 3	<u>(704)</u>	<u>(1,085)</u>
Total (impairment losses)/reversal of impairment losses of loans and other receivables from continuing operations	<u>(587)</u>	<u>899</u>
(Impairment losses)/reversal of impairment losses from discontinued operations:		
in respect of other receivables:		
– Stage 3	215	(215)
in respect of loans receivables:		
– Stage 3	<u>(7,975)</u>	<u>6,126</u>
Total (impairment losses)/reversal of impairment losses of loans and other receivables from discontinued operations (<i>note 13</i>)	<u>(7,760)</u>	<u>5,911</u>
Total (impairment losses)/reversal of impairment losses of loans and other receivables from continuing and discontinued operations	<u><u>(8,347)</u></u>	<u><u>6,810</u></u>

10. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Discounting charge on factoring loans and interest on bank overdraft	1	78
Margin loan interest expenses	1,604	1,320
Other loan interest expenses	12,860	11,912
Bond interest expenses	1,308	1,320
Interest expenses on lease liabilities	40	–
	<u>15,813</u>	<u>14,630</u>

11. INCOME TAX CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax – current year	–	–
PRC Enterprise Income Tax		
– overprovision for prior year	–	69
– current year	–	(29)
	<u>–</u>	<u>40</u>

No provision for Hong Kong Profits Tax has been made for the years ended 30 June 2020 and 2019 as the Group did not have assessable profits in Hong Kong for both years.

No provision for PRC Enterprise Income Tax has been made for the year ended 30 June 2020 as the Group did not have assessable profits in the PRC for that year. During the year ended 30 June 2019, PRC Enterprise Income Tax had been provided in accordance with the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law and the tax rate of the subsidiary in the PRC was 25% for the year ended 30 June 2019.

12. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging the following:

	2020 HK\$'000	2019 HK\$'000 (restated)
Fair value losses on investments at fair value through profit or loss:		
– realised losses, net	3,259	11,831
– unrealised losses, net	5,447	8,522
	8,706	20,353
Cost of sales:		
– cost of inventories recognised as expenses in cost of sales	48,022	131,874
– written down of inventories recognised as expenses in cost of sales	24	–
	48,046	131,874
Auditors' remuneration:		
– in respect of audit services	958	949
– in respect of non-audit services	10	344
	968	1,293
Depreciation	3,606	3,853
Legal, professional and consultancy expenses	3,537	1,020
Net foreign exchange losses	1,008	409

13. DISCONTINUED OPERATIONS

Money lending business

During the year ended 30 June 2020, the Company's subsidiary did not renew its Money Lender License and ceased to be a licensed money lender in Hong Kong. Therefore, the Group classified the results of money lending business as discontinued operation in the consolidated statement of profit or loss and other comprehensive income. Details are set out as follows:

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
(Loss)/profit for the year from discontinued operation:			
Revenue – interest income		<u>704</u>	<u>2,717</u>
Other income		17	–
Other gain or losses	7	800	–
Staff costs	8	(98)	(143)
Short-term leases expenses		(720)	(720)
Other operating expenses		(170)	(190)
(Impairment losses)/reversal of impairment losses of loans and other receivables	9	(7,760)	5,911
Impairment losses on intangible asset (#)		<u>–</u>	<u>(2,000)</u>
Loss/(profit) before taxation		(7,227)	5,575
Income tax expenses		<u>–</u>	<u>–</u>
Loss/(profit) for the year from discontinued operation, attributable to owners of the Company		<u><u>(7,227)</u></u>	<u><u>5,575</u></u>
Cash flows from discontinued operation:			
Net cash from operating activities		<u>10,590</u>	<u>1,457</u>
Net cash inflow		<u><u>10,590</u></u>	<u><u>1,457</u></u>

During the year ended 30 June 2020, no impairment loss on the Money Lender License. During the year ended 30 June 2019, the Group recognised an impairment loss on the Money Lender License amounting to approximately HK\$2,000,000 in profit or loss as the management expected a decrease in net margin of money lending business during the 5-year projection period.

Distribution of sport cars

On 26 September 2018, the Group and a purchaser entered into a transfer agreement, pursuant to which the Group agreed to transfer its distribution rights in sports car to a purchaser and the results of distribution of sports car are presented as loss/profit for the year from discontinued operation in the consolidated statement of profit or loss and other comprehensive income. During the year ended 30 June 2020, no profit or loss from discontinued operation in respect of distribution of sports car are recognised. During the year ended 30 June 2019, gain on disposal of intangible asset of approximately HK\$179,000 was recognised as profit from discontinued operation.

14. 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\$40,010,000 (2019: HK\$61,759,000) and on the weighted average number of 4,830,236,000 (2019: 4,335,146,000) shares in issue during the year.

Basic and diluted loss per share from continuing operations for the years ended 30 June 2020 and 2019 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 operations

Basic and diluted loss (2019: earnings) per share for discontinued operations is based on the Group's loss from discontinued operations attributable to owners of the Company of approximately HK\$7,227,000 (2019: profit from discontinued operations attributable to owners of the Company: HK\$5,754,000) and the denominators detailed above for both basic and diluted earnings/loss per share.

15. DIVIDENDS

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

16. LOANS RECEIVABLE

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Loans receivable arising from money lending business:			
– personal loans		3,985	4,848
– corporate loans		9,208	10,000
		<hr/>	<hr/>
Gross carrying amount	(a)	13,193	14,848
Less: allowance for impairment loss		(9,022)	(1,047)
		<hr/>	<hr/>
		4,171	13,801
		<hr/>	<hr/>
Other loan receivable	(b)	19,319	17,090
Less: allowance for impairment loss		(1,998)	(1,294)
		<hr/>	<hr/>
		17,321	15,796
		<hr/>	<hr/>
		21,492	29,597
		<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% (2019: 15 to 20%) per annum. The granting of these loans was 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 2020 and 2019, 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 廣州市水立方公共浴室有限公司 ("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, payable half yearly, with original tenure of 5 years to 25 September 2019, which had been extended to 30 June 2020. Pursuant to the loan agreement, ShuiLiFang Loan was secured by a corporate guarantee executed by an independent third-party company and personal guarantees executed by individual shareholders of ShuiLiFang.

During the year ended 30 June 2020, ShuiLiFang has repeatedly delay in repaying interests and the Company has sent several overdue notices to ShuiLiFang to demand immediate repayment of the outstanding balance. On 12 June 2020, a tri-party supplemental agreement has been entered into between the Company, ShuiLiFang and 廣州合道環保科技有限公司 ("HeDao"), pursuant to which 2 minority shareholders of HeDao, representing 49% of interest in HeDao aggregately, agreed to pledge the shares of HeDao held by them to the Company's subsidiary in the PRC to secure the outstanding balance and the Company agreed to extend the repayment of entire balance to 31 December 2020. Shares charge registration was completed on 28 June 2020 and hence, in addition to personal guarantees executed by individual shareholders of ShuiLiFang, ShuiLiFang Loan is also secured by shares of HeDao held by 2 minority shareholders as at 30 June 2020.

Subsequently, the Company has demanded ShuiLiFang to repay the entire balance but failed. On 10 May 2021, the Company, ShuiLiFang, HeDao and 2 minority shareholders of HeDao entered into a Deed, pursuant to which the ultimate holding company of HeDao (the "Chargor") agreed that its entire share in Turbo Billion Investment Limited, an immediate holding company of HeDao ("Charged Share") and the shareholder loan ("Charged Loan") was used to repay the ShuiLiFang Loan. On 13 May 2021, the Chargor charged the Charged Share under a share charge (the "Share Charge") in favour of the Company and assigned the Charged Loan under an assignment of Charged Loan (the "Assignment") to the Company. On 28 June 2021, the Company enforced the securities constituted under the Share Charge and the Assignment of Charged Loan by appropriating the Charged Share and the Charged Loan and the loan and interests due and payable by ShuiLiFang to the Company as of 28 June 2021 in the same amount under the Loan Agreement are then discharged.

As at 30 June 2020, the outstanding principal amount of ShuiLiFang Loan and its interest receivable (before impairment) are set out as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Principal before capitalisation of interest receivable	16,451	17,090
Capitalisation of interest receivable to principal	<u>2,868</u>	<u>–</u>
Principal balance outstanding	19,319	17,090
Interest receivable (<i>note 17</i>)	<u>251</u>	<u>1,135</u>
	<u><u>19,570</u></u>	<u><u>18,225</u></u>

17. PREPAYMENTS, DEPOSITS, INTEREST AND OTHER RECEIVABLES

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental deposits		314	853
Deposit paid to secure an agency agreement	(a)	20,000	20,000
Purchase deposits		1,856	1,791
Refundable deposits previously paid for proposed acquisition	(b)	–	3,000
Other loan interest receivable (<i>note 16(b)</i>)		251	1,135
Interest receivable for loans receivable from money lending business		–	668
Amount receivable upon transfer of a credit-impaired loan receivable	(c)	–	7,000
Proceeds receivable arising from disposal of intangible assets	(d)	2,300	7,500
Proceeds receivable from disposal of trading securities		–	1,000
Others		<u>398</u>	<u>1,990</u>
		25,119	44,937
Less: allowance for impairment loss		<u>(955)</u>	<u>(3,487)</u>
		<u><u>24,164</u></u>	<u><u>41,450</u></u>

Note:

- (a) As at 30 June 2020, the amount represents a deposit of HK\$20,000,000 (2019: 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 by several supplemental agreements made in previous years and during the year. Subsequently, the Company and the supplier further entered into 2 supplemental agreements to extend the term to 30 November 2022.

Pursuant to the agency agreement and as supplemented by 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.

- (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. The Group had initiated litigation against the vendor for the unpaid balance and a final settlement of HK\$800,000 has been agreed and received by the Company during the year.
- (c) 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 to an independent third-party individual for a consideration of HK\$7,000,000.

During the year, the Group received HK\$2,700,000 in cash and 30,000,000 shares of a listed company whose market value at the date of receipt amounted to HK\$5,100,000. A gain on settlement of HK\$800,000 was recorded as "other gain and losses" in profit or loss for the year.

- (d) The amount represented the proceeds receivable arising from the transfer of distribution rights in sports car to a third party. Subsequently, the balance has been fully received by the Company.

18. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<u>3,030</u>	<u>63,699</u>

The Group's trading terms with its customers are mainly on open account terms. The credit period is generally for a period of up to 45 days (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	–	62,401
31 – 60 days	–	771
Over 60 days	<u>3,030</u>	<u>527</u>
	<u>3,030</u>	<u>63,699</u>

19. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	–	62,338
31 – 60 days	–	731
Over 60 days	<u>6,124</u>	<u>1,665</u>
	<u>6,124</u>	<u>64,734</u>

20. BORROWINGS

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank overdraft, unsecured and unguaranteed		451	–
Margin loans, secured but unguaranteed	(a)	14,661	11,004
Other loans	(b)	46,225	55,435
Bonds, unsecured and unguaranteed	(c)	21,996	20,888
		83,333	87,327
Less: amount classified as current liabilities		(83,333)	(66,439)
Amount classified as non-current liabilities		–	20,888
Analysed as:			
Secured and guaranteed		5,091	5,135
Secured but unguaranteed		21,925	31,304
Unsecured but guaranteed		32,820	30,000
Unsecured and unguaranteed		23,497	20,888
		83,333	87,327

Bank overdraft, margin loans and other loans are repayable either on demand or within a period of not exceeding one year. The maturity terms of the bonds are analysed as follows as if the Company were not in default as at year end date:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	11,255	–
More than one year but not exceeding five years	10,741	20,888
	21,996	20,888

Borrowings are denominated in the following currencies:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
HKD	82,054	85,892
USD	<u>1,279</u>	<u>1,435</u>
	<u><u>83,333</u></u>	<u><u>87,327</u></u>

As at 30 June 2020, included in the aggregate carrying amount of borrowings are amounts of approximately HK\$8,341,000 defaulted by the Group but have been subsequently settled or agreed to extend the repayment due date, whereas borrowings with amounts HK\$73,171,000 have not been settled and no agreement to extend the repayment due date was reached up to the date of this announcement. As at 30 June 2020, carrying amount of borrowings of HK\$1,370,000 has been in default subsequently but the lender agreed to extend the repayment due date.

Note:

(a) Margin loans, secured

Margin loans are variable-rate borrowings with effective interest rates ranging from 7.3% to 8.3% (2019: 7.3% to 8.3%) and are secured by the Group's listed equity investments with aggregate carrying amounts of approximately HK\$17,402,000 (2019: HK\$19,065,000).

As at 30 June 2020, the Group's margin loans were due to two financial institutions with aggregate carrying amounts of approximately HK\$14,661,000 (2019: HK\$11,004,000) which exceeded the marginable values of the Group's trading securities placed in these financial institutions. As of the date of this announcement, the marginable values of the Group's trading securities are still lower than the Group's margin loan payable.

(b) Other loans

(i) Secured and guaranteed borrowings

As at 30 June 2020, the secured and guaranteed borrowings represented the borrowings with carrying amount of approximately HK\$5,091,000 (2019: HK\$5,135,000) which was in default and the aggregate interest payables of this borrowing amounting to approximately HK\$475,000 (2019: HK\$51,000) was included in accruals, deposits received, interest and other payables in the consolidated statement of financial position.

On 12 August 2020, the lender executed his rights to dispose the yacht of the Group at the consideration of HK\$5,400,000 and the Group paid the remaining interest payable in cash subsequently.

These borrowings carry interest of 1% per month and were secured by the yacht of the Group and corporate guarantee executed by a subsidiary of the Company as at 30 June 2020 and 2019.

(ii) Secured but unguaranteed borrowings

Secured but unguaranteed borrowings with carrying amount of approximately HK\$6,214,000

On 24 September 2019, the Company announced that they had received a writ of summons issued by a lender against the Company to claim the outstanding balance of approximately HK\$24,887,000.

On 30 September 2019, the Company entered into a settlement agreement with the lender that the outstanding balance was agreed to be settled by instalments with final instalment falling due on or before 30 June 2020. A modification gain on borrowings of approximately HK\$2,625,000 was recognised in profit or loss for the year ended 30 June 2020 (2019: HK\$ nil).

On 3 October 2019, the Company announced that the lender and the Company jointly applied to the court on 2 October 2019 for a consent order whereby the lender is stipulated to wholly discontinue the court action against the Company.

On 11 November 2019, the Company entered into a supplemental settlement agreement with the lender that the outstanding balance of approximately HK\$23,554,000 was agreed to be settled by issuing 867,000,000 settlement shares of the Company and by cash settlement of approximately HK\$6,214,000 (the “Cash Settlement”) on or before 31 December 2019.

The settlement shares were issued on 5 December 2019 and a gain on extinguishment of a portion of borrowings by issuing settlement shares amounting to approximately HK\$3,257,000 (2019: HK\$ nil) was recognised in profit or loss for the year ended 30 June 2020. A modification loss on borrowings of approximately HK\$632,000 (2019: HK\$ nil) was recognised in profit or loss for the year ended 30 June 2020 as the Cash Settlement’s repayment due date was brought forward.

As of 30 June 2020, the outstanding balance has not yet been settled. Subsequent to the end of the reporting period, the Company has been informed that the lender was put into liquidation and the Cash Settlement was sold and assigned to another company by one of the joint and several liquidators of the lender. Up to the date of this announcement, the Cash Settlement has not yet been repaid and no extension agreement has been entered into.

Other secured but unguaranteed borrowings

As at 30 June 2020, other secured but unguaranteed borrowings comprise borrowings due to a connected person of approximately HK\$750,000 (2019: HK\$ nil) that was in default as at year end date and subsequently the lender agreed to extend the repayment due date to 31 March 2022 after a repayment of HK\$40,000, and borrowings of approximately HK\$300,000 (2019: HK\$ nil) that was in default as at year end date and no subsequent repayment or extension agreement has been entered into as of the date of this announcement. As at 30 June 2019, the secured but unguaranteed borrowings of approximately HK\$300,000 was not in default.

As at 30 June 2020, the borrowings carried interest of 1% (2019: 1%) per month and additional 1% per month would be charged for default interest.

(iii) Unsecured but guaranteed borrowings

Unsecured but guaranteed borrowings with aggregate carrying amount of HK\$30,000,000

As at 30 June 2020, included in the Group's unsecured but guaranteed borrowings was the aggregate principal amount of HK\$30,000,000 (2019: HK\$30,000,000) ("HK\$30m Loans") which was in default as at year end date, and the aggregate interest payables of HK\$30m Loans amounting to approximately HK\$6,148,000 (2019: HK\$ nil) was included in accruals, deposits received, interest and other payables in the consolidated statement of financial position.

On 3 February 2021, the Company announced that they have received letters from a solicitor acting on behalf of creditors claiming that three respective statutory demands under Section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) were served on the Company by such creditors to demand for total repayment, being outstanding principal and accrued interest, of approximately HK\$42,000,000.

Up to the date of this announcement, the HK\$30m Loan has not been settled and no extension agreement has been entered into.

These borrowings carry interest ranging from 30% to 36% (2019: 24% to 30%) per annum as at 30 June 2020. As at 30 June 2020 and 2019, these loans are secured by personal guarantees executed by Mr. Ke Jun Xiang and Mr. Wilson Wong, who are executive directors of the Company.

Other unsecured but guaranteed borrowings

As at 30 June 2020, other unsecured but guaranteed borrowings comprise borrowings of approximately HK\$2,500,000 (2019: HK\$ nil) that was in default as at year end date and borrowings of approximately HK\$320,000 (2019: HK\$ nil) that has become default subsequently. As of the date of this announcement, the lender has agreed to extend the repayment due date of these borrowings to 31 March 2022. These borrowings carry interest at 2% per month (2019: nil) and are secured by personal guarantees executed by Mr. Ke Jun Xiang and Mr. Wilson Wong, who are executive directors of the Company.

(iv) Unsecured and unguaranteed borrowings

As at 30 June 2020, included in unsecured and unguaranteed borrowings represented borrowings due to a connected person of approximately HK\$1,050,000 (2019: HK\$ nil). These borrowings carry interest at 2% per month and subsequently have become default. As of the date of this announcement, the connected person agreed to extend the repayment due date of these borrowings to 31 March 2022.

(c) Details of bonds are as follows:

	Maturity year	Principal HK\$'000	2020 HK\$'000	2019 HK\$'000
7-year 7% coupon straight bonds	2021	10,000	11,255	10,554
8-year 6% coupon straight bonds	2022	<u>10,000</u>	<u>10,741</u>	<u>10,334</u>
		<u>20,000</u>	<u>21,996</u>	<u>20,888</u>

The Company placed two straight bonds with principal amount of HK\$10,000,000 each with maturity dates falling due in year 2021 and 2022. As at 30 June 2020, the carrying amounts of these bonds were approximately HK\$11,255,000 (2019: HK\$10,554,000) and HK\$10,741,000 (2019: HK\$10,334,000), respectively. The Company has not made full payment of interests to bond holders falling due in current year and subsequently. For bonds matured in 2021, the Company has not made payment of the principal at the maturity date and up to the date of this announcement. These conditions 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 and therefore all bonds are classified as current liabilities in the consolidated statement of financial position as at 30 June 2020. As at 30 June 2019, all bonds were classified as non-current liabilities as the Company were not in default as of that date.

21. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each		Nominal value	
	2020 '000	2019 '000	2020 HK\$'000	2019 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	4,335,146	43,351	43,351
Issue of settlement shares (<i>note</i>)	<u>867,000</u>	<u>—</u>	<u>8,670</u>	<u>—</u>
At end of year	<u>5,202,146</u>	<u>4,335,146</u>	<u>52,021</u>	<u>43,351</u>

Note:

During the year ended 30 June 2020, the Company and a lender entered into a supplemental agreement, pursuant to which, among other things, the Company agreed to settle partial balance of borrowings by issuing 867,000,000 settlement shares of the Company, whose market value was approximately HK\$13,005,000 at the issuance date. Please refer to note 20(b)(ii) above.

22. PLEDGE OF ASSETS

As at 30 June 2020, the Group's margin loans are secured by the Group's listed equity investments with aggregate carrying amount of approximately HK\$17,402,000 (2019: HK\$19,065,000).

As at 30 June 2020, the Group's other loans of approximately HK\$5,391,000 (2019: HK\$5,435,000) are secured by the Group's yacht with carrying amount of approximately HK\$1,089,000 (2019: HK\$3,267,000) and the Group's other loans of approximately HK\$750,000 (2019: HK\$ nil) are secured by the Group's motor vehicles with aggregate carrying amount of approximately HK\$597,000 (2019: HK\$ nil).

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

- (a) On 12 August 2020, the lender executed his rights to dispose the yacht of the Group at the consideration of HK\$5,400,000. Details are set out in note 20(b)(i).
- (b) On 29 December 2020 and 30 November 2021, the Stock Exchange issued Resumption Guidance for the resumption of trading in the shares of the Company. Details are set out in note 3.
- (c) On 3 February 2021, the Company announced that they have received letters from a solicitor acting on behalf of creditors claiming that three respective statutory demands were served on the Company by such creditors to demand for total repayment, being outstanding principal and accrued interest, of approximately HK\$42,000,000. Details are set out in note 3 and 20(b)(iii).
- (d) On 10 May 2021, the Company, ShuiLiFang, HeDao and 2 minority shareholders of HeDao entered into a Deed, pursuant to which the Chargor agreed that the Charged Share and the Charged Loan was used to repay the ShuiLiFang Loan. On 13 May 2021, the Chargor charged the Charged Share under the Share Charge and entered into the Assignment. On 28 June 2021, the Company enforced the securities constituted under the Share Charge and the Assignment of Charged Loan by appropriating the Charged Share and the Charged Loan and the loan and interests due and payable by ShuiLiFang to the Company as of 28 June 2021 in the same amount under the Loan Agreement are then discharged. Details are set out in note 16(b).
- (e) On 11 February 2022, the Company entered into a loan facility agreement with a third party in the amount of up to HK\$100,000,000 for a term of 2 years. Details are set out in the Company's announcement on the same day.
- (f) Subsequently, several of the Group's motor vehicles have been sold at the aggregate consideration of approximately HK\$3,120,000.

24. COMPARATIVE AMOUNTS

As explained in note 13 to the announcement, money lending operation was classified as discontinued operations and certain comparative figures have been reclassified or restated to conform to the current year presentation.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The auditor does not express an opinion (“Disclaimer of Opinion”) on the Group’s consolidated financial statements for the year ended 30 June 2020, the details of which will be set out in the independent auditor’s report in the forthcoming annual report of the Group.

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

1. Material uncertainty relating to going concern

During the year ended 30 June 2020, the Group incurred a net loss of approximately HK\$47,708,000 and as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$35,609,000 and the Group’s current liabilities included current borrowings of approximately HK\$83,333,000 whereas the Group’s bank balance and cash amounted to approximately HK\$378,000 only.

As at 30 June 2020, the Group’s borrowings of approximately HK\$73,171,000 were default as at the year end date and neither subsequent settlement has been made nor settlement agreement has been entered into as of the date of the independent auditor’s report. Details are set out in note 3 and 20 to this announcement.

In addition, after the completion of enforcement of securities in relation to a loan receivable subsequently, basing on the unaudited completion account of Turbo Billion Investment Limited (“Turbo Billion”, together with its subsidiary, “Turbo Billion Group”) at the completion date, Turbo Billion Group has provision for outstanding claims of approximately HK\$191,342,000 as of that date. No subsequent settlement nor settlement agreement has been entered into for these claims as of the date of the independent auditor’s report.

These conditions together with other conditions as set out in note 3 to this announcement 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.

As set out in note 3 to this announcement, the directors of the Company consider that the Group could be able to maintain as a going concern in the foreseeable future as, among other things, the Company has entered into a loan facility agreement with a third party on 11 February 2022 in the amount of up to HK\$100,000,000 for a term of 2 years; the Company is planning to place new shares to potential investors to finance the potential business acquisition, and the to be acquired business is beneficial to the Group. Accordingly, the management estimates that the cash flows generated from the above as a whole could be sufficient to settle the Group’s liabilities and operating working capital for the time being. The ability of the Group to continue as a going concern vitally depends on all of the abovementioned being materialised timely.

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.

The auditor was unable to obtain sufficient and appropriate audit evidence as to ascertain the possibility of completion of the above-mentioned potential business acquisition as there has not been any sales and purchase agreement signed between the vendor and the Company and the placing of shares has not yet been approved as of the date of the independent auditor's report. Accordingly, the auditor was unable to determine whether the use of going concern basis for the preparation of the Group's consolidated financial statements for the year ended 30 June 2020 is appropriate.

2. Allowance for impairment losses of secured corporate loan receivable

As at 30 June 2020, the Group recognised allowance for impairment loss amounting to approximately HK\$1,998,000 in relation to the Group's Stage 3 secured corporate loan and interest receivables with aggregate gross outstanding balance of approximately HK\$19,570,000. Details are set out in note 16(b) to this announcement. The Group appointed a professional valuer (the "ECL valuer") to determine the expected credit loss ("ECL") of several receivables including the ECL of secured corporate loan receivable. The ECL valuer estimated such receivable's ECL using market data to be approximately HK\$1,998,000. As the Company has completed the enforcement of securities (the "Enforcement") in relation to the loan receivable which has resulted in Turbo Billion Investment Limited ("Turbo Billion", together with its subsidiary, "Turbo Billion Group") becoming the subsidiary of the Company subsequently, the ECL valuer should consider the fair value of net assets of Turbo Billion Group (the "Fair Value") as the recoverable amount of the secured corporate loan receivable.

The Group appointed another professional valuer (the "FV Valuer") to determine the Fair Value. The FV Valuer determines the Fair Value using cost approach and based on the unaudited completion account of Turbo Billion Group (the "Completion Account") as at 28 June 2021 (the "Completion Date"). Basing on the FV Valuer's report, the Fair Value is approximately HK\$1,239,000 lower than the outstanding balance as of the Completion Date. However, the auditor has noted the following:

- (a) the major assets of Turbo Billion Group are investment properties located at Guangzhou of the People's Republic of China (the "PRC"). The Completion Account recognises the investment properties at fair value at the Completion Date. Under the requirements of HKAS 12 "Income Tax", the Completion Account should recognise the deferred tax effect arising from fair value adjustments of investment properties but no deferred tax liability was recognised in the Completion Account;

- (b) there was no legal due diligence report before completion of the Enforcement. Subsequently, the Group has appointed a solicitor in the PRC to conduct a legal due diligence for provision for outstanding claims of Turbo Billion Group that have already been recognised in the Completion Account. The scope of work performed by the solicitor in the PRC is not sufficient to cover all claims of Turbo Billion Group;
- (c) basing on the court judgement, the interest on outstanding claims should be computed using compound interest method but the estimated interests included in the provision for outstanding claims in the Completion Account are computed using single interest method;
- (d) the auditor and the FV Valuer were unable to perform physical inspection of the investment properties due to travel restrictions imposed by the government. No alternative procedure could be performed to determine the condition of investment properties as at the Completion Date; and
- (e) the FV Valuer determines the fair value of investment properties using direct comparison approach. Under this approach, the FV Valuer obtains the prices of actual sales of comparable properties and makes adjustments of similarity to determine the fair value of investment properties. The auditor was unable to obtain sufficient and appropriate audit evidence on the adjustments made by the FV Valuer.

Given the above scope limitation, the auditor was unable to determine as to whether the allowance for impairment loss of the secured corporate loan receivable as of 30 June 2020 and the corresponding disclosures made in the consolidated financial statements are appropriate, and whether any adjustments to the allowance for impairment loss as at 30 June 2020 should be made.

3. Opening balance of allowance for impairment losses of loans and other receivables and the corresponding figures

The Group's consolidated financial statements for the year ended 30 June 2019 were qualified in respect of inability to obtain sufficient appropriate audit evidence regarding the allowance for impairment losses of (i) 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; (ii) approximately HK\$2,275,000 in relation to the Group's Stage 3 corporate loans receivable (including interest receivables) with aggregate carrying amount of approximately HK\$28,893,000; and (iii) approximately HK\$465,000 in relation to the Group's Stage 3 consideration receivables included in deposits and other receivables with aggregate gross carrying amounts of approximately HK\$14,500,000.

The auditor was unable to obtain sufficient appropriate audit evidence to ascertain whether the management estimated the above-mentioned allowance for impairment losses were appropriate. Any adjustments to the opening balances as at 1 July 2019 that would be required may have a consequential significant effect on the Group's assets as at 1 July 2019 and 30 June 2020, interest income and impairment loss for the years ended 30 June 2020 and 2019, and the presentation and disclosure thereof in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

Comparing to last financial year, the Group's total consolidated revenue from continuing operations decreased by 62.8% to approximately HK\$49,236,000 during year ended 30 June 2020 (2019 (restated): HK\$132,406,000).

The overall decrease was mainly due to the decrease in revenue for the distribution of other products in the year ended 30 June 2020 which contributed approximately HK\$19,389,000 or 39.4% to the total revenue from continuing operations (2019: HK\$113,053,000 or 85.4%). Revenue from the Group's core business of distribution of server storage, multi-media and communication products had an increase to approximately HK\$27,551,000 (2019: HK\$14,940,000) and accounted for 56.0% (2019: 11.3%) of the total revenue from continuing operations for the year ended 30 June 2020.

Sales of goods during the year ended 30 June 2020 also included approximately HK\$2,287,000 (2019: HK\$4,413,000), or 4.6% (2019: 3.3%) of the total revenue from continuing operations, in distribution of rice cookers and household electrical appliances.

During the year ended 30 June 2020, there was no revenue from the business in entertainment (2019: HK\$ nil).

The Group recorded overall gross profit from continuing operations for the year ended 30 June 2020 of approximately HK\$1,190,000 (2019 (restated): HK\$532,000), representing an increase of 123.7% as compared to last financial year, as the gross profit ratio had increased to 2.4% (2019 (restated): 0.4%).

The Group earned other income of approximately HK\$4,667,000 (2019: HK\$4,482,000) for the year ended 30 June 2020 which mainly comprised interest income deriving from other loan receivable.

For the year ended 30 June 2020, there were other net gains of approximately HK\$3,127,000 (2019: HK\$176,000) arising mainly from the gain on extinguishment of a portion of borrowings and modification of borrowings.

The Group continued to engage in investment in listed securities in Hong Kong during the year ended 30 June 2020. Net fair value losses of approximately HK\$8,706,000 for the year ended 30 June 2020 was recorded due to the volatility of the stock market (2019: HK\$20,353,000).

Staff costs from continuing operations for the year ended 30 June 2020 decreased to approximately HK\$12,327,000 (2019 (restated): HK\$17,311,000). Other operating expenses from continuing operations for the year ended 30 June 2020, comprising selling and distribution costs, other overheads and miscellaneous administrative costs, amounted to approximately HK\$8,244,000 (2019 (restated): HK\$9,912,000).

In respect of depreciation charge for property, plant and equipment and right-of-use assets for the year ended 30 June 2020, the amount was approximately HK\$3,606,000 (2019: HK\$3,853,000). Besides, due to adoption of HKFRS 16 in the current year for the first time, short-term lease expenses for the year ended 30 June 2020 were reduced to approximately HK\$182,000 (2019: HK\$2,479,000).

Finance costs for the year ended 30 June 2020, including interest expenses on bank borrowings, margin loans, bonds and other loans, rose by 8.1% to approximately HK\$15,813,000 (2019: HK\$14,630,000).

During the year ended 30 June 2020, the Group did not renew its money lender license and ceased to be a licensed money lender in Hong Kong. Therefore, the Group's results of money lender business were classified as discontinued operations. The loss from discontinued operations for the year ended 30 June 2020 was approximately HK\$7,227,000 (2019 (restated): profit from discontinued operations of approximately HK\$5,754,000), which were wholly arising from money lender business (2019 (restated): approximately HK\$5,575,000 were arising from money lender business and approximately HK\$179,000 were arising from sport car business).

To sum up, the Group recorded a loss attributable to owners of the Company from continuing operations of approximately HK\$40,010,000 for year ended 30 June 2020 (2019 (restated): HK\$61,759,000) and loss per share (basic and diluted) from continuing operations for the year was 0.83 HK cents (2019 (restated): 1.43 HK cents). In respect of the discontinued operation, the loss attributable to owners of the Company was approximately HK\$7,227,000 (2019 (restated): profit attributable to owners of the Company of HK\$5,754,000) and loss per share (basic and diluted) for the year was 0.15 HK cents (2019 (restated): earnings per share (basic and diluted) 0.13 HK cents). In aggregate, the loss for the year attributable to owners of the Company from both continuing and discontinued operations was approximately HK\$47,237,000 (2019: HK\$56,005,000) and loss per share (basic and diluted) for the year was 0.98 HK cents (2019: 1.30 HK cents).

Business review

Distribution of server storage, multi-media and communication products

During the year ended 30 June 2020, 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\$1,620,000 (2019: HK\$3,129,000) was recorded for the year 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 ended 30 June 2020 and incurred a loss of approximately HK\$194,000 (2019: profit of HK\$12,000) 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.

Distribution of other products

The Company continued to distribute other products during the year ended 30 June 2020 and incurred a loss of approximately HK\$166,000 (2019: HK\$27,000) in segment results. Currently, our tradable product is confined to building materials, industrial metals and may expand to other categories when more experience is obtained from the operation.

Investment in securities

Due to the relatively volatile market condition, the Group suffered a segment loss of approximately HK\$10,421,000 (2019: HK\$22,781,000) in investment of local listed securities during the year ended 30 June 2020.

As the source of finance for this segment is from the idle funds available from time to time, the Group has reduced the portfolio size in the reporting period gradually so as to redeploy financial resources for meeting other operational requirements.

Entertainment

The Group had not organised any musical live show during the year ended 30 June 2020 and recorded no profit or loss (2019: profit of HK\$250,000) for the segment.

Nevertheless, we are still active in soliciting with various artists and business partners in media production to secure production opportunities.

Money lending (now discontinued)

The Group recorded a loss of approximately HK\$7,227,000 (2019: profit of HK\$5,575,000) from money lending business during the year ended 30 June 2020. The Group has not renewed the money lender license during the year ended 30 June 2020 and ceased to be a licensed money lender in Hong Kong. The Group believes the level of resources allocated to this business segment does not bring a better performance for the Group and ceased the business in the current year. It is regarded as discontinued operation for the year ended 30 June 2020.

Liquidity and capital resources

As at 30 June 2020, the Group had net liabilities of approximately HK\$35,609,000 (2019: HK\$830,000), comprising total assets of approximately HK\$73,110,000 (2019: HK\$162,209,000) and total liabilities of approximately HK\$108,719,000 (2019: HK\$163,039,000).

Total assets included total non-current assets of approximately HK\$4,794,000 (2019: HK\$7,557,000) and total current assets of approximately HK\$68,316,000 (2019: HK\$154,652,000).

Other than depreciation for the year, and minor disposal for fixed assets, there is no significant decrease in total non-current assets.

The decrease in total current assets was also caused by (i) decrease in loans receivables to approximately HK\$21,492,000 (2019: HK\$29,597,000); (ii) decrease in prepayments, deposits, interest and other receivables to approximately HK\$24,164,000 (2019: HK\$41,450,000); (iii) decrease in trade receivables to approximately HK\$3,030,000 (2019: HK\$63,699,000); (iv) decrease in investments at fair value through profit or loss to approximately HK\$17,402,000 (2019: HK\$19,065,000) and (v) decrease in bank balances and cash to approximately HK\$378,000 (2019: HK\$702,000).

Total liabilities as at 30 June 2020 was approximately HK\$108,719,000 (2019: HK\$163,039,000), comprising non-current liabilities of approximately HK\$nil (2019: HK\$20,888,000) and current liabilities of approximately HK\$108,719,000 (2019: HK\$142,151,000).

There is no non-current liability as at 30 June 2020. Non-current liabilities represented wholly by outstanding bonds as at 30 June 2019. Current liabilities mainly consisted of accruals, deposits received and other payables of approximately HK\$18,491,000 (2019: HK\$10,978,000), margin loans payable of approximately HK\$14,661,000 (2019: HK\$11,004,000) and other loans payable of approximately HK\$46,225,000 (2019: HK\$55,435,000). The main factor leading to overall reduction of current liabilities was the decrease in trade payables to approximately HK\$6,124,000 (2019: HK\$64,734,000).

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\$378,000 (2019: HK\$702,000) and were denominated in HKD, USD and RMB.

The current ratio, representing by current assets divided by current liabilities, was 0.63 (2019: 1.09).

As at 30 June 2020, the aggregate amount of bank borrowings, margin loans payable and other loans of approximately HK\$61,337,000 (2019: HK\$66,439,000) were denominated in HKD and USD. They were subject to interest at prevailing commercial lending rates. Together with the outstanding bonds of approximately HK\$21,996,000 (2019: HK\$20,888,000), which were denominated in HKD, total borrowings amounted to approximately HK\$83,333,000 (2019: HK\$87,327,000). 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, the Company has entered into a loan facility agreement with a third party on 11 February 2022 in the amount of up to HK\$100,000,000 for a term of 2 years; the Company is planning to place new shares to potential investors to finance the potential business acquisition, and the to be acquired business is beneficial to the Group. Accordingly, the management estimates that the cash flows generated from the above as a whole could be sufficient to settle the Group's liabilities and operating working capital for the time being. In the opinion of the directors of the Company, the Group could be able to continue as a going concern.

Outlook

It is the Group's strategy to actively securing fresh financial resources and at the same time looking for new investment and growth opportunities through a strategy of business diversification.

Despite the uncertainties on the global economic prospect as a result of the outbreak of COVID-19, 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, in particular the growing demand in building materials for construction of infrastructure projects, will be opened up and feel confident of our growth and development in the near future. The Group will continue to seek opportunities for strategic investment with a view to develop, expand and diversify of the Group's businesses to maximise the interest of the Company and its shareholders.

Subsequent to the end of the reporting period, the Company has enforced the securities in relation to a loan receivable and Turbo Billion Group has become subsidiary of the Company. However, subsequent valuation of Turbo Billion Group was less than the agreed outstanding balance (the "Outstanding Balance"). Accordingly, the Company claimed that Chargor is now liable to pay the difference to the Company. Therefore, the Group has executed its right to charge over a property owned by Turbo Billion Group and planned to execute its right to charge over another property owned by Turbo Billion Group. In the opinion of the directors of the Company, these properties have value of not less than the Outstanding Balance and is beneficial to the Group.

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 2020, the Group's bank overdraft and margin loans 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

After the adoption of HKFRS 16 for the first time in the current year, there is no operating lease commitments in respect of land and buildings as at 30 June 2020. The operating lease commitments in respect of land and buildings as at 30 June 2019 under predecessor accounting standard amounted to approximately HK\$2,115,000.

Material acquisitions and disposals

The Group did not have any material acquisitions and disposals of subsidiaries during the year ended 30 June 2020.

Employees and remuneration policy

The Group had 23 employees as at 30 June 2020 (2019: 24). 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 2020. During the year, the staff cost (including directors' remunerations) from continuing and discontinued operations amounted to approximately HK\$12,425,000 (2019: HK\$17,454,000). 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 53,000,000 share options outstanding under the share option scheme as at 30 June 2020 (2019: 62,000,000).

Contingent liabilities

The Group did not have contingent liabilities as at 30 June 2020.

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 2020.

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 2020, 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 30 November 2021, Mr. Chow Ho Wan (“Mr. Chow”) resigned as an independent non-executive director of the Company. Mr. Chow also ceased to be Chairman of Remuneration Committee, Member of Audit Committee and Nomination Committee with effect from 30 November 2021. Following the resignation of Mr. Chow, the Company has (i) two Independent Non-executive Directors, which results in the current number of Independent Non-executive Directors falling below the minimum number required under Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) or one-third of the board as required under Rule 3.10A of Listing Rules; (ii) two members of Audit Committee, which results in the number of Audit Committee falling below the minimum number required under Rule 3.21 of the Listing Rules; (iii) no Chairman of Remuneration Committee, which does not comply with Rule 3.25 of the Listing Rules. The Company will take all necessary measures to comply with the above requirement as soon as practicable and in any event within 3 months. Further announcement will be made by the Company in relation to the change of board composition as and when appropriate.

On 1 July 2021, Mr. Chow Yeung Tuen, Richard (“Mr. Chow”) resigned as a non-executive director of the Company.

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 Rule 13.50 of the Listing Rules. The Company published its annual results for the year ended 30 June 2019 on 15 November 2019 and accordingly, trading of the Company's shares resumed on 18 November 2019. The Company announced on 30 September 2020 that it is unable to publish its annual results for the year ended 30 June 2020 by that date and therefore shares of the Company have been suspended from trading since 5 October 2020.

References are made to the announcements of the Company dated (i) 5 October 2020 in relation to the suspension of trading in the shares of the Company; (ii) 30 December 2020 in relation to the resumption guidance for the Company imposed by the Stock Exchange and 9 December 2021 in relation to additional resumption guidance; (iii) 1 February 2021 in relation to the update on listing status; (iv) 29 October 2021 in relation to the quarterly update on status of resumption; and (v) 31 August 2021 and 30 September 2021 in relation to further delay in publication of the annual results of the Company for the year ended 30 June 2020, the interim results of the Company for the six months ended 31 December 2020 and the annual results of the Company for the year ended 30 June 2021.

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 2020. 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 2020 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 two 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 2020 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 2020. 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 2020 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, 11 February 2022

As at the date of this announcement, the Board comprises 4 executive Directors, namely Mr. Ke Jun Xiang (Chairman and Chief Executive Officer), Mr. Wilson Wong (Deputy Chairman), Mr. Lo Yuen Chung and Mr. Fu Daoding; 1 non-executive director namely Mr. Li Chung Kai, Philip; and 2 independent non-executive Directors, namely Mr. Chan Siu Kay and Mr. Choi Chin Yu.

* *For identification purpose only*