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

Explore OPPORTUNITIES

annual report 2020

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

- IMAGE: reinforcing our trendy image and promotion with glamourous and popular artists & celebrities
- PRODUCT: more K-gold jewellery will also be launched as it has a high level of creativity
- CHANNEL: opening new stores within the region, developing online sales platform & introducing premium products

Contents

HKRH is poised to take advantage of excellent opportunities ahead.

Mission

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

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

Corporate Information

DIRECTORS

Executive Directors

Mr. Li Ning, *Chairman*[c]

Ms. Dai Wei

Non-executive Directors

Mr. Hu Hongwei *(re-designated from non-executive Director to executive Director on 13 July 2019 and re-designated to non-executive Director on 27 July 2020)*

Mr. Xu Zhigang *(re-designated from executive Director to non-executive Director on 4 October 2019 and resigned as non-executive Director on 7 January 2020)*

Independent Non-executive Directors

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

Mr. Xu Xiaoping[a,b,c]

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

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

COMPANY SECRETARY

Ms. Ho Suet Man Stella

AUDITORS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

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

Corporate Information

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2882

WEBSITE

www.hkrh.hk

Major Events

JULY 2019

3DG Jewellery has organized a "Golden Allure GA New Product Launch" in Shenzhen of PRC.

AUGUST 2019

Renovation opening ceremony of 3DG Jewellery shop in Hefei of PRC.

SEPTEMBER 2019

Being awarded the "Hong Kong Q-Mark Elite Brand 2019" by Hong Kong Q-Mark Council.

Major Events

SEPTEMBER 2019

Being awarded the "Hong Kong Q-Mark Service Scheme" by Hong Kong Q-Mark Council.

DECEMBER 2019

Ms. Irene Cheung, Managing Director of 3DG Jewellery, was being awarded "The Awards of Women of Times 2019" by InStyle.

JUNE 2020

Being awarded the "Elite Jewellery Brand Awards 2019" by Ming Pao Weekly.

金至尊
3DG Jewellery
K·LOVE
金至尊 3DG Jewellery

Letter to the Shareholders

Dear shareholders,

On behalf of Hong Kong Resources Holdings Company Limited ("**HKRH**" or the "**Group**"). I present to you the Group's results for the year ended 30 June 2020 (the "**Year**").

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

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

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

Mr. Li Ning
Chairman

Management Discussion and Analysis

OVERVIEW

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

The Year under review has been tough for the Group. The COVID-19 spreading worldwide since the turn of the year 2020 hit the global economy hard, the likes of which the world has never seen. Consumer confidence and spending took a dive to the lowest depths seen in the retail industry. Coupled with trade frictions between China and the United States and social unrest in Hong Kong since June of 2019, Hong Kong's retail market experienced unprecedented challenges. Amid this difficult business environment, the Group recorded a decline in overall same-store growth of 32%.

The economic outlook remains gloomy and shrouded in uncertainties. The Group swiftly responded to the turbulent retail market by adopting various measure to save costs and minimize expenditures including negotiating persistently with landlords for rental relief or reductions and shortening shop operating hours in order to enhance cost effectiveness and business efficiency.

FINANCIAL REVIEW

The Group recorded a total turnover of approximately HK$805 million for the Year, representing a decrease of 45% as compared to the turnover of approximately HK$1,461 million for the same period last year ("**Last Year**"). The loss for the Year attributable to the owners was approximately HK$63 million compared to approximately HK$181 million Last Year, representing a decrease of 65%. Excluding the positive change in fair value of derivates embedded in convertible bonds of HK$20 million and gain on conversion of convertible bonds of HK$14 million this Year and the one-off impairment loss on loan and interests receivable of HK$86 million Last Year, the loss attributable to the owners increased by 2%, from HK$95 million Last Year to HK$97 million this Year.

Retailing of gold and jewellery products accounted for 92% (2019: 85%) of total turnover. The retail revenue was approximately HK$742 million for the Year, representing a 40% decrease from approximately HK$1,235 million Last Year. Mainland China continued to be the Group's major market, contributing 71% (2019: 64%) of retail sales for the Year. The retail revenue from Mainland China dropped by 33% to HK$529 million for the Year from HK$784 million Last Year. The Group's retail revenue from Hong Kong and Macau market was approximately HK$213 million for the Year, representing a 53% decrease from HK$450 million Last Year. The Group recorded a decline in overall same-store growth of 32% (2019: decline of 3%), of which same-store growth in Mainland China was a decline of 28% (2019: decline of 3%) and in Hong Kong and Macau was a decline of 42% (2019: decline of 9%).

The Group's selling and distribution expenses decreased to HK$241 million (2019: HK$359 million), whereas the percentage to total turnover increased to 30% (2019: 25%) this Year. Payment of lease liabilities amounted to HK$72 million (2019: HK$126 million). The percentage to turnover remained at a relatively low level. The Group has negotiated with landlords for rental relief or reductions in this difficult economic environment.

The Group has successfully implemented various cost control measures. General and administrative expenses have decreased by HK$11 million to HK$83 million (2019: HK$94 million).

The Group's other gains and losses increased from a negative of HK$11 million Last Year to a negative of HK$22 million for the Year. Included in other gains and losses are exchange loss of HK$20 million for the Year.

over **350** shops in China

358 shops in Mainland China
6 shops in Hong Kong
1 shop in Macau

20	Anhui	10	Heilongjiang	2	Jilin	2	Sichuan
20	Beijing	7	Henan	8	Liaoning	16	Tianjin
1	Chongqing	6	Hong Kong	1	Macau	4	Xinjiang
5	Fujian	22	Hubei	5	Ningxia	1	Qinghai
2	Gansu	3	Hunan	6	Shaanxi		
90	Guangdong	11	Inner Mongolia	55	Shandong		
16	Guangxi	25	Jiangsu	2	Shanghai		
16	Hebei	1	Jiangxi	8	Shanxi		

金至尊
3D-GOLD

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 30 June 2020 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

Retail business

Overall revenue from the retail business was approximately HK$213 million (2019: HK$450 million) for Hong Kong and Macau and HK$529 million (2019: HK$784 million) for Mainland China.

As at 30 June 2020, the Group had 6 points-of-sale in Hong Kong, 1 points-of-sale in Macau and 358 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 65 are self-operated points-of-sale and 293 are licensee points-of-sale.

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

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

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

Wholesale and sub-contracting business

The wholesale and sub-contracting business was highly competitive. In order to create greater value for stakeholders, the Group has suspended this business.

Products and Design

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

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

– “Love Lane” Collection

– “Love Rhythm” Collection

– “Starry Shimmer” Collection

– “Pure Gold Chinese Zodiac” Collection

– “Classic Gold” Collection

– “Peter RabbitTM” Collection

– “Cool Love” Collection

– “Wedding” Collection

Marketing and Promotion

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

– Organized a “Golden Allure GA New Product Launch” in Shenzhen of PRC

Awards and Achievements

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

– “Charter on External Lighting – Gold Award” by the Environment Bureau

– “Q-Mark Service Elite 2019” by Hong Kong Q-Mark Council

– “Elite Jewellery Brand Awards 2019” by Ming Pao Weekly

OUTLOOK

The outbreak of COVID-19 since early this year is undoubtedly a blow for vulnerable businesses, in particular, retail. The trade disputes between China and the United States and social unrest in Hong Kong, which has also undermined the local economy and consumer sentiment. The Group foresees that the social and economic activities would not be able to resume to normal within a short period of time, and the requisite time for the full economy recovery of the world would remain to be seen. In respond to this challenging business environment, the Group will continue to put in place more effective cost saving measures and will also actively adjust its business strategies so as to enhance its operating efficiency.

Going forward, the Group will continuously explore new business opportunities to diversify its revenue base, in order to create greater value for its investors and stakeholders.

FUNDS RAISING AND USE OF PROCEEDS

(a) The Company has received net proceeds of approximately HK$121.6 million in connection with the subscription of convertible bonds completed on 16 January 2020. A summary of the utilization of the net proceeds as at 30 June 2020 is set forth below.

	Amount of net proceeds intended to be allocated *HK$ million* (approximately)	**Utilised net proceeds up to 27 April 2020** *HK$ million* (approximately)	**Unutilised net proceeds up to 27 April 2020** *HK$ million* (approximately)	**Revised allocation of unutilised net proceeds at 27 April 2020** *HK$ million* (approximately)	**Utilised net proceeds from 28 April 2020 to 30 June 2020** *HK$ million* (approximately)	**Unutilized amount as of 30 June 2020** *HK$ million* (approximately)
Intended use disclosed in the Company's announcement dated 29 May 2019, 27 April 2020 and circular dated 17 July 2019						
Repayment of convertible bonds	57.0	(30.0)	27.0	27.0	0.0	27.0
Repayment of borrowings	32.0	(2.6)	29.4	0.0	0.0	0.0
Repayment of other indebtedness	25.0	(16.8)	8.2	8.2	(6.0)	2.2
General working capital	7.6	(7.6)	0.0	29.4	(29.4)	0.0
	121.6	(57.0)	64.6	64.6	(35.4)	29.2

Expected completion timeline for utilizing the remaining net proceeds

For the unutilized net proceeds up to 30 June 2020, the Company intends to use them in the manner as described below. The expected completion timeline for utilizing the remaining unused net proceeds is set out below:

	Expected timeline for utilizing the remaining unused net proceeds *(Note)*
Repayment of convertible bonds	From 1 July 2020 to 30 June 2021
Repayment of indebtedness	From 1 July 2020 to 30 June 2021

Note: The net proceeds has been utilized as at the date of this report.

(b) As at 30 June 2020, the Company has fully utilized the remaining balance of the net proceeds amounting to approximately of HK$23,800,000 raised from subscription of new shares completed on 18 June 2019.

INVESTOR RELATIONS

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

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

OTHERS

Liquidity and Financial Resources

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. As at 30 June 2020, the Group had total cash and cash equivalents amounting to HK$879 million (2019: HK$1,074 million) whilst total deficit were HK$119 million (2019: total deficit were HK$9 million). The Group's net borrowing as at 30 June 2020 was HK$783 million (2019: HK$995 million), being total borrowing of HK$1,662 million (2019: HK$2,069 million) less pledged bank deposits and bank balances and cash of HK$879 million (2019: HK$1,074 million). After taking into account the gold inventories of HK$258 million (2019: HK$356 million), the Group's net borrowing as at 30 June 2020 was HK$525 million (2019: HK$639 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 30 June 2020, the Group has unutilised revolving banking facilities of HK$640 million (2019: HK$296 million).

Capital Commitments

Capital commitments of the Group as at 30 June 2020 are set out in note 34.

Pledged Assets

Pledged assets of the Group as at 30 June 2020 are set out in note 36.

Contingent Liabilities

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

Litigation

The Company received a winding-up petition filed by Luk Fook 3D Management Company Limited ("Luk Fook 3D"), a non-controlling shareholder of a subsidiary, against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region on 24 October 2019 (the "Hong Kong Petition") and a winding-up petition filed by Luk Fook 3D against the Company in the Supreme Court of Bermuda on 28 November 2019 (the "Bermuda Petition"). As at 30 June 2020, the Hong Kong Petition and the Bermuda Petition were not conclusive. In July 2020, the Company repaid the loan principal of HK$27,000,000 and the relevant accrued interest to Luk Fook 3D. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all its liabilities and obligations owing to Luk Fook 3D under CB 2019. Each of the Bermuda and Hong Kong Petition has been withdrawn as at the date of this report.

Acquisition, Disposal and Significant Investments

The Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the year ended 30 June 2020.

Event after the reporting period

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

a) In July 2020, the Company repaid the loan principal of HK$27,000,000 and the relevant accrued interest to Luk Fook 3D. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all its liabilities and obligations owing to Luk Fook 3D under CB 2019.

b) On 22 July 2020, the Company obtained a loan of HK$27,000,000 from Luk Fook 3D, which was unsecured, interest bearing of 18% per annum and repayable on 22 July 2021.

c) On 23 September 2020, one of the creditors of the Group had confirmed that the repayment of the amounts due by the Group of approximately HK$20,000,000 shall be extended from 12 November 2020 to 12 July 2021.

d) On 22 September 2020, the holder of CB 2023 had confirmed that the first repayment date regarding the interests of CB 2023 shall be extended from 16 January 2021 to 15 July 2021.

Financial Risk and Exposure

The Group did not have any outstanding material foreign exchange contracts, interest or currency swaps, or other financial derivatives as at 30 June 2020.

Employees and Remuneration Policy

As at 30 June 2020, the Group had 1,061 employees (2019: 1,321). The Group's remuneration policy is periodically reviewed by the Remuneration Committee and the Board. Remuneration is determined by reference to market conditions, company performance, and individual qualifications and performance.

SUPPLEMENTARY INFORMATION REGARDING THE QUALIFIED OPINION

Save as disclosed in the "Extract of Independent Auditor's Report" section in this announcement, the Company's auditor issued its qualified opinion on the Group's consolidated financial statements for the year ended 30 June 2020 ("2020 Audit Qualification").

The Company understands that 2020 Audit Qualification is due to the consequential impact carried forward from the qualified opinion issued by the Company's predecessor auditor, Deloitte Touche Tohmatsu, for the year ended 30 June 2019, relating to loans receivables amounting HK$74,400,000 and the respective loan interests receivables amounting HK$11,558,000 (the "Loans Transactions") recorded in the accounting records of Prosten Finance Limited ("PFL"), a wholly owned subsidiary of the Company as at 30 June 2019 and 2020.

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

The Audit Committee and the board of directors of the Company have reviewed and agreed with the 2020 Audit Qualification.

The Company will try its best effort to take any possible measures (the "Measures") on resolving the concerns raised by the Company's auditor, including but not limited to, seeking potential buyer for the disposal of PFL. For the avoidance of doubt, in accordance with the applicable Hong Kong Standards on Auditing, the Company's auditor needs to obtain sufficient appropriate audit evidence and to consider, based on the audit evidence to be obtained, whether the Company's Measures would be successfully implemented and to address the concerns raised by the Company's auditor. As such, assuming the successful implementation of the Measures in time with sufficient and appropriate audit evidence can be provided to the Company's auditor during the year ending 30 June 2021, the audit qualification regarding the Loans Transactions is expected to be removed in the consolidated financial statements of the Group for the year ending 30 June 2023 due to the consequential impact of the Loan Transactions.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The objective of this Environmental, Social and Governance ("ESG") Report is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future.

The Report complies with the disclosure requirements set out in the ESG Reporting Guide as described in Appendix 27 of the Main Board Listing Rules. An assessment on the applicability and materiality of the relevant key performance indicators ("KPIs") under the ESG Reporting Guide had been conducted.

Governance on ESG Aspects

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management are delegated the responsibility of coordinating the implementation of the Group's environment, employment and service quality assurance policies.

ESG Management Approach

The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

ENVIRONMENTAL

Emissions

The Group engages in trading and sale of gold, platinum and jewellery products in Hong Kong, Macau and PRC through retailing and licensing. The Group has responsibility to make positive impact and put more effort on environment. During the financial year ended 30 June 2020, the business operations of the Group produce certain degree of emissions, most of which are retail stores based. Emissions profile mainly consists of indirect emissions from the use of electricity, paper and air travelling.

The Group operates in accordance with the local environmental laws and regulations, and were not aware of any material environmental non-compliance that would have a significant adverse impact on the environment. We summarize our efforts in managing energy and resource use, effluent, waste and emissions of air in the table below.

The Group has implemented the policies to mitigate the adverse effect of carbon dioxide emission. The Group also encourages staff to make a good use of public transportation, switch off electrical appliances when not in use and use conference calls to reduce the frequency of business travel.

The Group's daily operation does not involve in any production process, therefore, there is no generation of hazardous wastes and no discharge of sewage into soil and water. Non-hazardous wastes are mainly domestic wastes. The Group promotes waste reduction by recycling practices and encourages employees to reuse and recycle useful parts of the waste like jewellery packaging to reduce the waste. The Group will continue looking for ways to reduce land contamination through different measures.

The Group implements measures to minimize the environmental impacts caused by reduction in energy use across the Group. Room temperature is maintained at an optimal, comfortable level to conserve energy.

There are other measures for small savings but heightened awareness. To cut down the use of paper cups, all staff members are encouraged to use glass and cups for their tea and water. To reduce the use of printing paper, employees are encouraged to use duplex printing and reuse single-sized used paper. Recycling bins are generally available and employees are encouraged to make use of them.

The following is the waste gas and greenhouse gas emissions data of the Group:

	Unit	Emissions		Emission intensity (per million of revenue)	
		2020	2019	**2020**	2019
Air emissions					
Nitrogen oxides	g	**2,761**	5,459	**3.43**	3.77
Particulate matter	g	**203**	402	**0.25**	0.28
Sodium oxides	g	**77**	136	**0.10**	0.09
Greenhouse gases					
Scope 1	tonne of CO_2e	**14**	25	**0.02**	0.02
Scope 2	tonne of CO_2e	**1,172**	1,199	**1.46**	0.83
Scope 3	tonne of CO_2e	**39**	69	**0.05**	0.05
Total emissions	tonne of CO_2e	**1,225**	1,293	**1.53**	0.90

Use of resources

The Group is committed to reduce the environmental impact to the minimum by encouraging staff to reduce the use of energy and other resources, reuse and recycle used materials in daily operations. In offices and factories, the Group adopts natural lighting where possible, while LED light bulbs are used. General light intensity is controlled and the lightings are adjusted according to the needs of different working areas. Also, reducing total paper consumption in offices by keeping electronic format copy instead of printing the documents for filing, publishing advertisements on digital channels and reusing single-sided papers.

	Unit	Consumption		Consumption intensity (per million of revenue)	
		2020	2019	**2020**	2019
Electricity	kWh	**1,544,221**	1,602,766	**1,456**	1,107
Water	m^3	**553**	4,763	**1**	3
Petrol	L	**5,208**	9,265	**6**	6
Paper	kg	**799**	5,888	**1**	4

Packaging materials

Packaging is an inevitable part in the retail business, in which gift boxes contribute to the largest consumption. The Group will study possible ways to avoid undue and unnecessary use of packaging materials and recycle whenever appropriate.

Packaging material used	Unit	Consumption	Consumption intensity (per million of revenue)
Paper box	Tonne	1,279	1.6
Gift box	Tonne	7,396	9.2

Environment and natural resources

The Group is aware that its operations would have certain impact on the environment and natural resources. The Group will formulate a set of more comprehensive environmental policies regarding emissions, use of resources, environment and natural resources in the future. The Group continues to review the environmental impact of its operations and make use of best practices across their functions and to develop monitoring of resources consumption data and implementing better performance strategies as to enhance the contributions to environmental sustainability through good environmental practices. The Group would not ignore the opportunity to contribute to sustainability at the office space, and the Group enhances environmental awareness of the employees through various means of internal communications.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group provides an equal and fair working environment with practices and policies of Employment Ordinance in Hong Kong and the Labour Law of the People's Republic of China《中華人民共和國勞動法》along with other relevant laws. The workplace is free from discrimination and received equal opportunities for all despite of age, gender, race, colour, sexual orientation, disability or marital status to increases employee satisfaction. The Group would diversify its staff by means of gender and age to balance the culture and communications between staff. The Group promotes labour diversity and welcomes all manpower, thus putting the principle of fairness into practices.

Employment contract in PRC has been reviewed by the legal consultant. The contract specifies the terms including compensation and dismissal, working hours, leaves and other benefits and welfare for staff. Staff handbook also highlights important information of policies on business conduct and the rights of termination.

To further promote good relationship with employees there will be activities such as staff gathering, social activities and team building for employees to participate to strengthen their work-life balance. The Group had no reported incidents of non-compliance with regulations concerning employment during the year ended 30 June 2020.

Health and safety

The Group implements national law and regulations and other standards, such as the Labour Law of the People's Republic of China《中華人民共和國勞動法》related to work safety and occupational health. The Group provides regular safety training and free physical examination to all staff.

In order to minimise workplace incidents and put the health and safety of the staffs as the priority of productions, the Group has established a set of safety policy and procedures. Every worker was required to follow safety instructions. Workplaces are equipped with fire and safety facilities to prevent and control outbreak of fire accidents. Occupational hazard warning signs and warning instructions at conspicuous place around every workplace. During the year ended 30 June 2020, the Group was not aware of any material non-compliance with relevant laws and regulations that would have any significant impact on the Group.

Occupational health and safety statistics

	2020	2019
Number of lost days due to work injury	**Nil**	Nil
Number of work-related fatalities	**Nil**	Nil
Number of work injuries	**Nil**	Nil

Development and training

The Group believes the personal development of staff not only enable them to discover their value within the Group, but also contribute to and grow along with the Group. The Group has established a comprehensive training system and assessment criteria from theory, sales technique, and product knowledge. The Group provides orientation and on-the-job training for new staff. Furthermore, senior staff offers mentorship to new staff to ensure that the culture of the Group and skills of craftsmanship can be inherited. Apart from on-site training mentioned, the Group also has online training platform for expertise training for senior staff.

Labour standards

The Group has formulated policies to ensure all employees and job applicants are entitled to fair opportunity and treatment. The Group strives to complies with the local laws and regulation throughout the recruitment and employment process. Provisions on the Prohibition of Using Child Labour of the People's Republic of China《中華人民共和國禁止使用童工規定》and Employment Law of Hong Kong prohibit the employment of child labour in any job positions. The human resources department responsible for identity check for every job applicant to ensure any employment of child labour. The Group has a clear staff manual to prohibit forced labor and ensure legal and volunteer employment of all employees. During the year, the Group does not aware of any non-compliance with any laws and regulations relating to employment and labour practices.

OPERATING PRACTICES

Supply chain management

The Group established an integrated and systematic procurement procedure and process in selecting new potential suppliers and reviewing the performance of existing suppliers. All approved suppliers have to fulfil the Group's internal approval processes and enter into the Supplier Agreement to ensure that products and services provided are up-to-standard. Potential supplier has to provide the environmental test report showing the supplier meets with the national standard of PRC. Ongoing and regular inspections and assessments are conducted as regulatory monitoring. The Group conducts sample testing for every batch of products to ensure the quality meets with the industry standard of PRC.

Product responsibility

The Group exercises tight quality control and is meticulous from supplier selection, sales and after-sales services. Quality check is performed before dispatching the jewellery to the retail shop. All qualified items are marked by batch number. During the reporting period, the Group did not receive any significant complaints or recall any products due to quality, safety and health reasons.

Intellectual property rights

The Group understands the importance of intellectual property and makes every effort to safeguard and protect the intellectual property. By the same token, the Group placed much emphasis on the infringement of other intellectual property rights. While complying with the Trade Marks Ordinance in Hong Kong, the Group also adhered to the Trademark Law and Patent Law of the People's Republic of China.

Privacy and consumer data protection

The Group has policies and procedures to protect the personal details of our customers which are in compliance with the relevant laws and regulations such as the Personal Data (Privacy) Ordinance in Hong Kong. The policy governs the collection, use, retention and protection of the customers' personal data. We collect and maintain a minimal amount of their personal details in the database. The database is well protected both on policy and technological terms. Relevant details of our privacy policy are readily available on our website. During the reporting period, the Group was not aware of any material non-compliance with relevant laws and regulations in respect of the privacy issue.

Anti-corruption

The Group recognizes the importance of the ethical conducts and integrity of each director and all employees in order to maintain a fair, honest and integrity-based business environment. The Group has formulated a clear code of conduct in respect of the prevention of bribery, employees' interests, conflicts of interest, prevention of extortion and fraud in the employee handbook. Besides, the Group has an anti-bribery policy in place to further provide clear guidelines in respect of anti-bribery and maintaining honesty and integrity. The Group reminds the employees by internal notice to avoid bribery and acceptance of advantages as and when appropriate. Furthermore, employees are encouraged to report any suspected corruption, bribery or misconducts through the whistleblowing mechanism established by the Group. Such reports are kept confidential and the identity of the whistle-blowers are protected and free from unfair treatment.

During the year ended 30 June 2020, the Group was not aware of any non-compliance with relevant laws and regulations that would have any significant impact on the Group, nor any corruption litigation against the Group or its employees.

COMMUNITY

During the reporting period, the Group upholds the spirit of giving back to the society by playing a part in a series of activities.

- Awarded "Caring Company 10+" by The Hong Kong Council of Social Service ("HKCSS"). The "Caring Company Scheme" was launched by HKCSS in 2002, which aims at cultivating good corporate citizenship. It is specifically geared to build strategic partnerships among businesses and non-profit organizations to create a more cohesive society.

- Participated in "Love Teeth Day 2019/2020" for enhancing the "Oral Health Services for the Needy" provided by the Chest's member social welfare agencies.

- Participated in "Skip Lunch Day 2020" which encouraged our employees to donate their lunch fees to support the services for street sleepers and residents in cage homes supported by The Community Chest.

- Participated in "Green Low Carbon Day" which helped to raise funds for "Green Related Projects" supported by The Community Chest, and to encourage participants to adopt a green lifestyle.

- Supported donation to "People Food Bank" of St. James' Settlement for the services of single parent or low income families, street sleepers and other needy, and participation of our volunteer team in hot meal service to serve the elderly and low income people.

Profiles of Directors

The profiles of Directors as at 29 September 2020, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Li Ning, aged 35, was appointed as an executive Director and Chairman of the Board on 12 June 2019. Mr. Li graduated from People's Public Security University of China. Mr. Li was the chairman of 山西太和相業實業集團有限公司 (Shanxi Taihe Xiangye Industrial Group Company Limited) and started his businesses of 上海絃諾金融信息服務有限公司 (Shanghai Zno Financial Information Service Company Limited) and 深圳市前海普諾供應鏈有限公司 (Shenzhen Qianhai Puno Supply Chain Company Limited). He has extensive experience in corporate investment, corporate management and financial services.

Ms. Dai Wei, aged 40, was appointed as an Executive Director on 31 May 2017. Ms. Dai holds a double master degree in Financial and Acturial Engineering from Katholic University of Leuven, Belgium. Ms. Dai has worked for ING Bank and China Sonangol International Limited. Ms. Dai was the chief financial officer of Titan Petrochemicals Group Limited (stock code: 1192), a company listed on the main board of the Stock Exchange. Ms. Dai is currently a director of Weltrade Group Limited, the substantial shareholder of the Company. Ms. Dai has been assigned key positions in a number of cross border merger and acquisition and investment projects in gas, oil and mining.

NON-EXECUTIVE DIRECTOR

Mr. Hu Hongwei, aged 41, is an attorney-at-law admitted to practice in China. He was graduated from Fudan University with a Bachelor of Laws (LLB) degree and Master of Laws (LLM) degree. He is currently a partner of a PRC law firm. He has extensive experience in legal aspects of cross-border investment, restructuring and mergers and acquisitions practice. Mr. Hu has been an independent non-executive director of Tenwow International Holdings Limited (stock code: 1219) from 26 November 2018 and re-designated as a non-executive Director on 12 July 2019. Mr. Hu had served as an independent non-executive director, a non-executive director and an executive director of a Hong Kong listed company Titan Petrochemicals Group Limited (stock code: 1192) respectively from November 2015 to February 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu alias Loke Hoi Lam, aged 71, was appointed as an Independent Non-executive Director on 31 May 2017. Dr. Loke has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. Dr. Loke is a Fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, and The Hong Kong Institute of Chartered Secretaries. He is also a life member of Hong Kong Independent Non-Executive Directors Association.

Dr. Loke serves as an independent non-executive director of Chiho Environmental Group Limited (stock code: 976), China Silver Technology Holdings Limited (stock code: 515), CIMC-TianDa Holdings Company Limited (stock code: 445), Hang Sang (Siu Po) International Holding Company Limited (stock code: 3626), Hong Kong Resources Holdings Company Limited (stock code 2882), Matrix Holdings Limited (stock code: 1005), TradeGo FinTech Limited (stock code: 8017), Tianjin Development Holdings Limited (stock code: 882), Times Universal Group Holdings Limited (stock code: 2310), V1 Group Limited (stock code: 82), Zhenro Properties Group Limited (stock code: 6158), and Zhong An Group Limited (stock code: 672). He also serves as a non-executive director of SCUD Group Limited (stock code: 1399),

He was an independent non-executive director of Mega Medical Technology Limited (stock code: 876) from 20 June 2014 to 10 January 2017, Winfair Investment Company Limited (stock code: 287) from 2 April 2007 to 2 April 2018, China Household Holdings Limited (stock code: 692) from 9 August 2013 to 6 August 2018, Scud Group Limited (stock code: 1399) from 14 May 2009 to 27 September 2018, China Beidahuang Industry Group Holdings Limited (stock code: 39) from June 2005 to 31 October 2018, Lamtex Holdings Limited (stock code 1041) from 28 July 2015 to 23 Mar 2020 and Tianhe Chemicals Group Limited from May 2014 to 30 May 2020 (stock code 1619). All of these companies are listed on the main board of the Stock Exchange.

Mr. Xu Xiaoping, aged 55, was appointed as an Independent Non-executive Director on 31 May 2017. Mr. Xu is an experienced management personnel. Mr. Xu started his career in 1989 and has served in 深華貿易有限公司 (Shen Hua Trading Limited) and 天奇電子有限公司 (Tian Qi Electrons Limited), which were companies carrying on the business of online banking services in the PRC. Mr. Xu has also acted as the chairman of the board of directors of 深圳市奔翔物流有限公司 (Shenzhen Ben Xiang Logistics Limited), a company carrying on the business of air cargo services in the PRC. Mr. Xu is currently the investor of 嘉興友夲投資合夥企業 (Jia Xing You Ben Investment Partnership), which is engaged in the venture capital business. Mr. Xu is an independent non-executive director of Prosten Health Holdings Limited (stock code: 8026), a company listed on the Growth Enterprise Market of the Stock Exchange. He was a non-executive director of PPS International (Holdings) Limited (stock code: 8201), a company listed on the Growth Enterprise Market of the Stock Exchange, from 22 October 2015 to 3 July 2016.

Mr. Fan, Anthony Ren Da, aged 60, was appointed as an Independent Non-executive Director on 30 September 2008. Mr. Fan holds a master degree of business administration from the United States. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange.

Mr. Fan is an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Citic Resources Holdings Limited (Stock Code: 1205), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), China Dili Group (formerly known as: Renhe Commercial Holdings Company Ltd.) (Stock Code: 1387), Technovator International Limited (Stock Code: 1206), Tenfu Cayman Holdings Company Limited. (Stock Code: 6868), China Development Bank International Investment Limited (Stock Code: 1062), Raymond Industrial Limited (Stock Code: 229), Semiconductor Manufacturing International Corporation (Stock Code: 981) and Neo-Neon Holdings Limited (Stock Code: 1868). Mr. Fan was an independent non-executive director of CGN New Energy Holdings Co., Ltd. (Stock Code: 1811) from 30 September 2014 to 26 June 2018. All of these companies are listed on the main board of the Stock Exchange.

Corporate Governance Report

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

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

The Company principally complied with the CG Code throughout the year ended 30 June 2020 (the "Year"), except for the following deviations:

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board comprises the following Directors during the Year and up to the date of this annual report. Brief profiles of the Directors are set out on pages 23 to 24 of this annual report. During the Year, seven board meetings and two general meetings were held and the attendance of each Director is set out below:

	Attendance/Number of meetings		
	Board meetings	**Annual general meeting**	**Special general meeting**
Executive Directors			
Mr. Li Ning, Chairman	7/7	1/1	1/1
Ms. Dai Wei	7/7	1/1	1/1
Non-executive Directors			
Mr. Hu Hongwei *(re-designated from non-executive Director to executive Director on 13 July 2019 and re-designated to non-executive Director on 27 July 2020)*	7/7	1/1	1/1
Mr. Xu Zhigang *(re-designated from executive Director to non-executive Director on 4 October 2019 and resigned as non-executive Director on 7 January 2020)*	2/2	N/A	1/1
Independent Non-executive Directors			
Dr. Loke Yu alias Loke Hoi Lam	7/7	1/1	0/1
Mr. Xu Xiaoping	7/7	1/1	0/1
Mr. Fan, Anthony Ren Da	7/7	1/1	0/1

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

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

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

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

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

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR

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

(1) Ms. Dai Wei's monthly remuneration has increased from HK$50,000 to HK$110,000 with effect from 1 June 2020.

(2) Mr. Hu Hongwei was re-designated from a non-executive Director of the Company to an executive Director of the Company on 13 July 2019 and re-designated to a non-executive Director of the Company on 27 July 2020. His monthly remuneration has increased from HK$60,000 to HK$120,000 with effect from 1 November 2019 and reduced to HK$60,000 with effect from 27 July 2020. He was re-designated from an independent non-executive Director to a non-executive Director of Tenwow International Holdings Limited (stock code: 1219) on 12 July 2019.

(3) Dr. Loke Yu alias Loke Hoi Lam's monthly remuneration has increased from HK$25,000 to HK$30,000 with effect from 1 November 2019. He resigned as an independent non-executive Director of Lamtex Holdings Limited (stock code: 1041) on 22 March 2020 and Tianhe Chemicals Group Limited (stock code: 1619) on 31 May 2020 and appointed as a non-executive Director of SCUD Group Limited (stock code: 1399) on 1 September 2020.

DIVERSITY OF THE BOARD

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

BOARD COMMITTEES

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

Remuneration Committee

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

Remuneration Committee	Attendance/Number of meetings
Independent Non-executive Directors	
Mr. Xu Xiaoping, Chairman	1/1
Dr. Loke Yu alias Loke Hoi Lam	1/1
Mr. Fan, Anthony Ren Da	1/1

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

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

Nomination Committee

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

Nomination Committee	Attendance/Number of meetings
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam	1/1
Mr. Xu Xiaoping	1/1
Mr. Fan, Anthony Ren Da	1/1
Executive Directors	
Mr. Li Ning, Chairman (appointed as Chairman of Nomination Committee on 14 July 2019)	1/1
Mr. Xu Zhigang, Chairman (resigned as Chairman of Nomination Committee on 14 July 2019)	N/A

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

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

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

Nomination Policy

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

Audit Committee

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

Audit Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam, Chairman	2/2
Mr. Xu Xiaoping	2/2
Mr. Fan, Anthony Ren Da	2/2

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

During the Year, the Audit Committee had:

(i) reviewed the Group's annual report for the year ended 30 June 2020 and the Group's interim report for the 6 months ended 31 December 2019 with the external auditors;

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

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

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

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

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

The Audit Committee had reviewed the financial statements of the Group for the year ended 30 June 2020.

AUDITOR'S REMUNERATION

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

Auditor	**Services rendered**	**Fees paid/payable**
		HK$'000
Crowe (HK) CPA Limited	Audit services	1,950
Crowe (HK) CPA Limited	Non-audit services	180

FINANCIAL REPORTING

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

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

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

MEMORANDUM AND BYE-LAWS OF THE COMPANY

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

Directors' Report

The directors of the Company (the "Directors") present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 30 June 2020 (the "Year").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

The results of the Group for the year ended 30 June 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46.

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2020 to the holders of ordinary shares of the Company.

BUSINESS REVIEW

A fair review and the outlook of the Group's business are provided in the Letter to Shareholders on page 9 and the Management Discussion and Analysis on pages 10 to 16 of this annual report. The financial risk management objectives and policies of the Group are set out in note 39 to the consolidated financial statements.

An account of the Group's relationship with its key stakeholders and discussions on the Group's environmental policies and performance and compliance with relevant laws and regulations are included in the Environmental, Social and Governance Report on pages 17 to 22 and the Corporate Governance Report on pages 25 to 31.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 41 to the consolidated financial statements.

DISTRIBUTABLE RESERVE

As at 30 June 2020, the Company did not have distributable profit to shareholders (2019: nil).

DIRECTORS

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

Executive Directors

Mr. Li Ning, Chairman
Ms. Dai Wei

Non-executive Directors

Mr. Hu Hongwei (re-designated from non-executive Director to executive Director on 13 July 2019 and re-designated to non-executive Director on 27 July 2020)
Mr. Xu Zhigang (re-designated from executive Director to non-executive Director on 4 October 2019 and resigned as non-executive Director on 7 January 2020)

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
Mr. Xu Xiaoping
Mr. Fan, Anthony Ren Da

In accordance with the Company's bye-laws, Ms. Dai Wei will retire from office at the forthcoming annual general meeting and, being eligible, offers herself for re-election. Mr. Xu Xiaoping will retire and will not offer himself for re-election at the forthcoming annual general meeting. The Company is now identifying a suitable candidate to fill the vacancy following the retirement of Mr. Xu Xiaoping.

DIRECTORS' SERVICE CONTRACTS

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

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

At 30 June 2020, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares

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

Note:

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

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

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

Note:

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

Saved as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 30 June 2020.

NEW SHARE OPTION SCHEME

On 23 January 2009, the Company adopted a share option scheme for the purpose of enabling the Company to grant options to eligible persons as incentives or rewards for their contributions or potential contributions to the Group. The share option scheme expired on 22 January 2019.

At the annual general meeting of the Company held on 23 June 2020, the Company adopted a new share option scheme of the Company (the "New Share Option Scheme"), for the purpose of attracting and retaining the best available personnel, providing additional incentives to the eligible persons, to recognise and acknowledge the contributions that the eligible persons have made or may make to the Group and to promote the success of the business of the Group. Eligible persons of the New Share Option Scheme include, among others, the Directors, (including independent non-executive Directors), full-time or part-time employees, consultants, advisors, suppliers, customers and agents. The New Share Option Scheme will be valid and effective for a period of ten years from the date of adoption of the scheme.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme must not exceed 30% of the total number of Shares in issue from time to time. The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the Company's issued share capital from time to time. Any grant or further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting of the Company. Each grant of share options to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors. In addition, any grant of share options to a substantial Shareholder or an independent non-executive Director, or to any of their associates, resulting in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, is subject to Shareholders' approval in advance in a general meeting of the Company.

The period during which an option may be exercised is determined by the Board in its absolute discretion, save that such period shall not be longer than 10 years from the date of grant. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant of the option, is received by the Company within 21 days after the date of offer.

The exercise price of share options is determined by the Directors, but shall not be less than the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant; and (iii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant.

As at the date of this report, the total number of share options available for issue under the New Share Option Scheme is 154,671,601 share options, representing 10% of the Shares in issue as at the date of adoption of the New Share Option Scheme, that is 23 June 2020. No options were granted by the Company under New Share Option Scheme of the Company.

SHARE OPTIONS AND CONVERTIBLE BONDS

Particulars of the Company's share option scheme and convertible bonds are set out in notes 32 and 23 to the consolidated financial statements respectively.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

At 30 June 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(a) Long positions in shares of the Company

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

Notes:

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

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

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

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

Name of substantial shareholder	Capacity	Number of shares interested	% of issued ordinary shares
Ms. Hao Yuanyuan	Corporate interest (Note a)	533,000,000	34.46%
Well Pop Group Limited	Beneficial owner (Note a)	533,000,000	34.46%

Notes:

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

Saved as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in sections headed "CONTINUING CONNECTED TRANSACTIONS" below and note 37 to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

CONTINUING CONNECTED TRANSACTIONS

On 19 November 2018, CGS entered into a service agreement ("Service Agreement") with GS Tech Company Limited ("GS Tech"), a company incorporated in Hong Kong and 92% indirectly owned by the Wong's family trust, of which Mr. Wong Ho Lung Danny, an executive director of CGS and one of the discretionary beneficiaries, pursuant to which CGS shall pay to GS Tech a monthly maintenance fee covering the maintenance services provided by GS Tech for the Computer Programs used by the CGS Group's retail outlets and head offices for a term of the period from 1 July 2018 to 30 June 2021. The maximum annual maintenance fee payable by CGS to GS Tech pursuant to the Service Agreement shall be no more than HK$7,000,000, HK$8,000,000 and HK$10,000,000 for each of the three years ending 30 June 2019, 2020 and 2021, respectively. During the year ended 30 June 2020, the service fee charged by GS Tech to CGS pursuant to the Service Agreement was approximately HK$4,219,000. The Service Agreement constitutes a continuing connected transaction as GS Tech is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 19 November 2018.

On 19 November 2018,尊福珠寶(重慶)有限公司("ZF Jewellery"), a wholly owned subsidiary of CGS, entered into a framework agreement ("Framework Agreement") with重慶福華珠寶首飾有限公司("Chongqing Fook-Wah") for a term of the period from 1 July 2018 to 30 June 2021. The Framework Agreement governs the terms in respect of the opening of franchised retail outlets by Chongqing Fook-Wah in the PRC, which include, for each franchised retail outlet to be opened, the entering into of (i) a franchise agreement between ZF Jewellery and Chongqing Fook-Wah; (ii) a service agreement between重慶金至尊營銷策劃有限公司("CGS Marketing") and Chongqing Fook-Wah; and (iii) a purchase agreement between重慶金至尊飾品設計有限公司("CGS Design") and Chongqing Fook-Wah. Pursuant to the franchise agreement and service agreement, Chongqing Fook-Wah shall be granted the license from CGS Shenzhen to use the "3D-GOLD" brand and CGS Marketing shall provide support services in relation to the use of the brand by Chongqing Fook-Wah, respectively. Pursuant to the purchase agreement, CGS Design shall supply, and Chongqing Fook- Wah shall purchase from CGS Design, finished goods in respect of platinum and gold jewelleries and gold ornaments, gem-set jewelleries, gemstones and other accessory items. The maximum annual service fee payable by Chongqing Fook-Wah to ZF Jewellery and CGS Marketing for the support services in relation to the use of the brand pursuant to the framework agreement, franchise agreement and service agreement shall be no more than RMB3,000,000, RMB4,000,000 and RMB5,000,000 (equivalent to approximately HK$3,458,000, HK$4,611,000 and HK$5,764,000) for each of the three years ending 30 June 2019, 2020 and 2021, respectively. The maximum amount payable by Chongqing Fook-Wah to CGS Design for the purchase of finished goods pursuant to the purchase agreement shall be no more than RMB13,000,000, RMB25,000,000 and RMB50,000,000 (equivalent to approximately HK$14,986,000, HK$28,818,000 and HK$57,637, 000) for each of the three years ending 30 June 2019, 2020 and 2021, respectively. During the year ended 30 June 2020, the service fee charged by ZF Jewellery, CGS Marketing and its fellow subsidiary to Chongqing Fook-Wah pursuant to the framework agreement, franchise agreement and service agreement was approximately RMB31,000 (equivalent to approximately HK$34,000), and the purchases of Chongqing Fook-Wah from CGS Design pursuant to the purchase agreement amounted to approximately RMB796,000 (equivalent to approximately HK$881,000). As Chongqing Fook-Wah is indirectly owned as to 51% by Luk Fook Holdings, Chongqing Fook-Wah is a connected person of the Company at the subsidiary level and the transactions contemplated under the Framework Agreement, franchise agreement, service agreement and purchase agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 19 November 2018.

On 19 November 2018, CGS Shenzhen (as tenant) entered into tenancy agreements with each of重慶市光生成貿易有限公司("Chongqing QSC"),重慶市福邀貿易有限公司("Chongqing Fu Yao") and重慶市聿宿貿易有限公司"(Chongqing Yu Xiu") (as landlord) for the rental of the premises located at IBC, Buxin Street 3008, Louhu District, Shenzhen which was used by the Group as its office premises in Shenzhen, the PRC for a term of the period from 1 November 2018 to 31 October 2021. The maximum amount of annual rental payable by CGS Shenzhen to Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu under the tenancy agreements shall be no more than RMB5,000,000 (HK$5,764,000) for each of the three years ending 30 June 2019, 2020 and 2021. During the year ended 30 June 2020, the rental charged by Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu to CGS Zhenzhen pursuant to the tenancy agreements was approximately RMB540,000, RMB1,723,000 and RMB1,703,000 (equivalent to approximately HK$598,000, HK$1,908,000 and HK$1,885,000). As Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu are wholly owned by Luk Fook Holdings, Chongqing QSC, Chongqing Fu Yao and Chongqing Yu Xiu are the connected persons of the Company at the subsidiary level and the tenancy agreements constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 19 November 2018.

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

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

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year set out in note 37 to the consolidated financial statements include transactions that constitute connected transactions and continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme for the purpose of providing incentive to eligible persons for their contribution or potential contribution to the Group. Details of the scheme are set out in note 32 to the consolidated financial statements.

DIVIDEND POLICY

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

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

PRE EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2020.

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$9,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest suppliers of the Group accounted for 71% of the Group's purchases and 38% of the total purchases were attributed to the Group's largest supplier.

Aggregate sales attributable to the Group's five largest customers were 15% of the total turnover and 6% of the Group's total sales were attributed to the Group's largest customer.

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

EXPOSURE TO BORROWERS AND OTHER SPECIFIC CIRCUMSTANCES THAT REQUIRE DISCLOSURE

Details of which are set out in note 30 to the consolidated financial statements.

APPOINTMENT OF NEW EXTERNAL AUDITOR

The Group's consolidated financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 were audited by Deloitte Touche Tohmatsu. Crowe (HK) CPA Limited was appointed as the external auditor of the Company to fill the vacancy following the retirement of Deloitte Touche Tohmatsu as the independent auditor of the Company at the annual general meeting of the Company held on 23 June 2020. Save as disclosed, there were no other changes in the Company's independent auditor in the past three years. The Group's consolidated financial statements for the year ended 30 June 2020 were audited by Crowe (HK) CPA Limited. A resolution will be proposed at the 2020 annual general meeting to re-appoint Crowe (HK) CPA Limited as the external auditor of the Company.

On behalf of the Board

Mr. Li Ning
Chairman

Hong Kong, 29 September 2020

Independent Auditor's Report

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

QUALIFIED OPINION

We have audited the consolidated financial statements of Hong Kong Resources Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 147, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

The predecessor auditor, who was engaged to audit the consolidated financial statements of the Group for the year ended 30 June 2019, had issued its report dated 11 March 2020 which expressed a qualified opinion due to various limitations in evidence available to it regarding the loan receivables amounting to HK$74,400,000 and the respective interest receivables amounting to HK$11,558,000 as at 30 June 2019. Details of the limitations and development up to the date of this report are described in note 22 to the consolidated financial statements.

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

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

KEY AUDIT MATTERS

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

Valuation of inventories	How our audit addressed the key audit matter
We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgement associated with the determination of allowance for inventories. As disclosed in note 21 to the consolidated financial statements, the carrying amount of inventories is HK$635,536,000 as at 30 June 2020. In estimating the amount of allowance for inventories, management reviews the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of allowance for inventories. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration.	Our audit procedures in relation to the valuation of inventories included: – Understanding management's process of how to determine the allowance for inventories; – Evaluating the reasonableness of the net realisable value of inventories, with reference to the condition of the inventories, historical and current sales information, and aging of inventories; – Checking the historical and current sales information and aging of inventories, on a sample basis, to source documents; – Evaluating the competence, capabilities and objectivity of the independent external valuer and obtaining an understanding of their scope of work; and – Evaluating the reasonableness of the valuation process carried out by the independent external valuer on selected jewellery items and traced the carrying amounts of selected jewellery items to the jewellery appraisal report to test these were recorded at lower of cost and net realisable value.

Valuation of the trademarks "3D-Gold"	How our audit addressed the key audit matter
We identified the valuation of the trademarks "3D-Gold" as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgment associated in determining the impairment loss on the trademarks "3D-Gold". As disclosed in note 17 to the consolidated financial statements, the carrying amount of the trademarks "3D-Gold" is HK$168,066,000 as at 30 June 2020. In estimating whether there was any impairment of the trademarks "3D-Gold", management estimates the future cash flows expected to arise from the trademarks "3D-Gold"and a suitable discount rate in order to calculate the recoverable amount. The recoverable amount is determined based on a value in use calculation as detailed in note 5 to the consolidated financial statements in relation to the impairment assessment of the trademarks "3D-Gold".	Our audit procedures in relation to the valuation of the trademarks "3D-Gold" included: – Understanding the Group's impairment assessment process in respect of the trademarks "3D-Gold"; – Evaluating the appropriateness of the valuation model adopted and the reasonableness of key assumptions used in the valuation with reference to the economic outlook, the Group's past sales experience, market data and our industry knowledge; – Evaluating the historical accuracy of financial budgets prepared by the management by comparing the historical financial budgets with the actual performance; – Evaluating the sufficiency of the disclosure of impairment assessment by management in the consolidated financial statements; and – Involving our internal valuation experts to review and assess whether the valuation model used by the management was appropriate and whether the key assumptions used in the valuation model were reasonable.

Valuation of the convertible bonds	How our audit addressed the key audit matter
During the year ended 30 June 2020, the Company issued convertible bonds with an aggregate principal amount of HK$121,950,000. The embedded derivative component of the Company's convertible bonds are stated at fair value based on the valuation carried out by independent qualified professional valuer. The valuation of fair values of the convertible bonds and embedded derivatives includes significant unobservable inputs and significant management estimates was determined by the management based on the valuation by an independent external valuer. The fair value of the embedded derivatives of the convertible bonds was determined using the binomial option pricing model. The accounting policies, accounting estimates and disclosure of convertible bonds are included in notes 4, 5 and 23 to the consolidated financial statements, respectively.	Our audit procedures in relation to the valuation of the convertible bonds included: – Obtaining an understanding of the management process for determining fair value of the convertible bonds and embedded derivatives; – Evaluating competence, capabilities and objectivity of the independent external valuer; – Assessing whether the valuation methodology and the key assumptions used by the management and independent external valuer to estimate the fair values of convertible bonds and embedded derivatives are appropriate; and – Comparing input data to supporting evidences, such as market indicators and considering the reasonableness of the data adopted. – Involving our internal valuation experts to review and assess whether the valuation model used by the management and independent external valuer was appropriate and whether the key assumptions used in the valuation model were reasonable.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 September 2020

Chan Wing Fai
Practising Certificate Number P07327

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	NOTES	**2020 HK$'000**	2019 HK$'000
Revenue			
Goods and services		**804,863**	1,447,912
Interest		**–**	13,041
Total revenue	6(a)	**804,863**	1,460,953
Cost of sales		**(526,944)**	(1,054,507)
Gross profit		**277,919**	406,446
Other income	7	**17,568**	8,881
Selling expenses		**(241,436)**	(359,077)
General and administrative expenses		**(83,432)**	(93,563)
Other gains and losses		**(21,951)**	(11,392)
Change in fair value of derivatives embedded in convertible bonds	23(b)	**19,681**	385
Gain on conversion of convertible bonds	23(b)	**14,239**	–
Impairment loss on property, plant and equipment		**–**	(3,782)
Reversal of impairment loss/(impairment loss) on loan receivables and relevant interest receivables recognised under expected credit loss model	16&22	**291**	(85,958)
Reversal of impairment loss/(impairment loss) on trade receivables recognised under expected credit loss model		**6,370**	(4,690)
Finance costs	8	**(81,660)**	(79,341)
Loss before taxation	9	**(92,411)**	(222,091)
Income tax expense	11	**(26,655)**	(8,788)
Loss for the year		**(119,066)**	(230,879)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**12,686**	(3,935)
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		**(1,577)**	(3,876)
		11,109	(7,811)
Items that will be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(23,342)**	(15,122)
		(23,342)	(15,122)
Other comprehensive expense for the year		**(12,233)**	(22,933)
Total comprehensive expense for the year		**(131,299)**	(253,812)
Loss for the year attributable to:			
Owners of the Company		**(62,721)**	(181,414)
Non-controlling interests		**(56,345)**	(49,465)
		(119,066)	(230,879)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(66,660)**	(196,060)
Non-controlling interests		**(64,639)**	(57,752)
		(131,299)	(253,812)
Loss per ordinary share			
Basic	13	**(HK$0.049)**	(HK$0.171)
Diluted	13	**(HK$0.055)**	(HK$0.171)

The notes on pages 53 to 147 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020

	NOTES	**2020 HK$'000**	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**29,943**	51,806
Right-of-use assets	15	**24,561**	–
Deposits paid	16	**1,844**	8,375
Intangible assets	17	**169,144**	169,144
Interest in a joint venture	18	**–**	–
Equity instruments at FVTOCI	19	**2,007**	3,584
Deferred tax assets	20	**7,379**	11,857
		234,878	244,766
Current assets			
Inventories	21	**635,536**	857,389
Right to returned goods asset		**951**	2,950
Trade and other receivables and deposits paid	16	**109,298**	166,643
Loan receivables	22	**–**	–
Income tax recoverable		**4,490**	2,590
Pledged bank deposits	24	**767,778**	941,388
Bank balances and cash	24	**110,810**	132,755
		1,628,863	2,103,715
Current liabilities			
Trade and other payables, accruals and deposits received	25	**161,206**	218,065
Bank and other borrowings	30	**1,535,400**	1,891,892
Contract liabilities	26	**14,516**	23,249
Refund liabilities	27	**2,834**	4,782
Lease liabilities	28	**20,653**	–
Loans from a non-controlling shareholder of a subsidiary	29	**27,000**	57,080
Derivative component of convertible bonds	23(b)	**11,314**	–
Income tax liabilities		**1,795**	544
		1,774,718	2,195,612
Net current liabilities		**(145,855)**	(91,897)
Total assets less current liabilities		**89,023**	152,869

Consolidated Statement of Financial Position

As at 30 June 2020

	NOTES	**2020 HK$'000**	2019 HK$'000
Non-current liabilities			
Convertible bonds	23(a)	**59,134**	–
Bank and other borrowings	30	**–**	20,000
Lease liabilities	28	**4,068**	–
Loans from a non-controlling shareholder of a subsidiary	29	**100,000**	100,000
Deferred tax liabilities	20	**45,267**	42,016
		208,469	162,016
Net liabilities		**(119,446)**	(9,147)
Capital and reserves			
Share capital	31	**61,868**	50,668
Reserves		**(113,663)**	(56,803)
Deficit attributable to owners of the Company		**(51,795)**	(6,135)
Non-controlling interests		**(67,651)**	(3,012)
TOTAL DEFICIT		**(119,446)**	(9,147)

The consolidated financial statements on pages 46 to 147 were approved and authorised for issue by the board of directors on 29 September 2020 and are signed on its behalf by:

Li Ning
Director

Dai Wei
Director

The notes on pages 53 to 147 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Attributable to owners of the Company											
	Ordinary share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000 (Note (a))	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (Note (b))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2018	38,224	738,063	55,327	(256,051)	21,127	(16,493)	17,462	33,537	(493,500)	137,696	54,740	192,436
Loss for year	–	–	–	–	–	–	–	–	(181,414)	(181,414)	(49,465)	(230,879)
Exchange difference arising on translation	–	–	–	–	–	–	(10,770)	–	–	(10,770)	(8,287)	(19,057)
Fair value loss on equity instruments at FVTOCI	–	–	–	–	–	(3,876)	–	–	–	(3,876)	–	(3,876)
Total comprehensive expense for the year	–	–	–	–	–	(3,876)	(10,770)	–	(181,414)	(196,060)	(57,752)	(253,812)
Transfer between reserves	–	–	–	–	–	–	–	1,196	(1,196)	–	–	–
Issue of shares, net of transaction costs	12,444	39,785	–	–	–	–	–	–	–	52,229	–	52,229
Investment revaluation reserve reclassified to accumulated losses upon disposal of equity instruments at FVTOCI	–	–	–	–	–	8,477	–	–	(8,477)	–	–	–
Lapse of share options	–	–	–	–	(6,079)	–	–	–	6,079	–	–	–
At 30 June 2019	50,668	777,848	55,327	(256,051)	15,048	(11,892)	6,692	34,733	(678,508)	(6,135)	(3,012)	(9,147)
At 1 July 2019	50,668	777,848	55,327	(256,051)	15,048	(11,892)	6,692	34,733	(678,508)	(6,135)	(3,012)	(9,147)
Loss for year	–	–	–	–	–	–	–	–	(62,721)	(62,721)	(56,345)	(119,066)
Exchange difference arising on translation	–	–	–	–	–	–	(2,362)	–	–	(2,362)	(8,294)	(10,656)
Fair value loss on equity instruments at FVTOCI	–	–	–	–	–	(1,577)	–	–	–	(1,577)	–	(1,577)
Total comprehensive expense for the year	–	–	–	–	–	(1,577)	(2,362)	–	(62,721)	(66,660)	(64,639)	(131,299)
Transfer between reserves	–	–	–	–	–	–	–	(1,578)	1,578	–	–	–
Issue of shares, net of transaction costs	11,200	9,800	–	–	–	–	–	–	–	21,000	–	21,000
Lapse of share options	–	–	–	–	(10,505)	–	–	–	10,505	–	–	–
At 30 June 2020	61,868	787,648	55,327	(256,051)	4,543	(13,469)	4,330	33,155	(729,146)	(51,795)	(67,651)	(119,446)

Notes:

a) Other reserve comprises:

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

   ii) a debit amount of HK$3,643,000 represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Rise Rich International Limited, a subsidiary of the Company, being acquired from the non-controlling shareholders on 31 December 2013; and

   iii) a debit amount of HK$38,803,000 represents the difference between (i) the aggregate of the fair value of the consideration (net of transaction cost) received for disposal of partial interest in CGS on 6 June 2014 and proceeds received from issuance of CB 2019 (as defined in note 23(a)), and (ii) the aggregate amount of the carrying amount of the net assets attributable to the disposed interest in CGS to the purchaser, the fair value of the share option of CGS issued and the fair values of the liability component and the embedded derivatives of CB 2019 issued to the purchaser, on 6 June 2014.

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

The notes on pages 53 to 147 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Loss before taxation	**(92,411)**	(222,091)
Adjustments for:		
(Reversal of allowance)/allowance of inventories, net	**(483)**	286
Bank interest income	**(6,840)**	(4,954)
Change in fair value of derivatives embedded in convertible bonds	**(19,681)**	(385)
COVID-19-related rent concessions received	**(5,121)**	–
Depreciation of property, plant and equipment	**21,111**	24,063
Depreciation of right-of-use assets	**30,621**	–
Finance costs	**81,660**	79,341
Gain on conversion of convertible bonds	**(14,239)**	–
Gain on modification of lease	**(42)**	–
Impairment loss on property, plant and equipment recognised	**–**	3,782
Interest income from rental deposit	**(584)**	–
(Reversal of impairment loss)/impairment loss on loan receivables and relevant interest receivables recognised under expected credit loss model	**(291)**	85,958
(Reversal of impairment loss)/impairment loss on trade receivables recognised under expected credit loss model	**(6,370)**	4,690
Loss on disposal of property, plant and equipment	**1,728**	845
Write-back of amount due to a joint venture	**–**	(11)
Unrealised exchange loss	**20,223**	10,550
Operating cash flows before movements in working capital	**9,281**	(17,926)
Decrease in inventories	**200,309**	95,972
Decrease in trade and other receivables and deposits paid	**63,546**	23,174
Increase in loan receivables	**–**	(60,400)
Decrease in right to returned goods asset	**1,903**	860
Decrease in refund liabilities	**(1,791)**	(1,575)
Decrease in contract liabilities	**(7,857)**	(3,793)
Decrease in trade and other payables, accruals and deposits received	**(52,060)**	(77,650)
Cash generated from/(used in) operations	**213,331**	(41,338)
Income taxes paid	**(19,655)**	(7,307)
Net cash generated from/(used in) operating activities	**193,676**	(48,645)

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	2020 HK$'000	2019 HK$'000
Investing activities		
Interest received	**7,111**	5,037
Proceeds from disposal of equity instruments at FVTOCI	**–**	7,658
Purchase of property, plant and equipment	**(8,590)**	(32,789)
Proceeds from disposal of property, plant and equipment	**6,243**	353
Placement of pledged bank deposits	**(11,933)**	(552,558)
Withdrawal of pledged bank deposits	**182,000**	350,000
Net cash generated from/(used in) investing activities	**174,831**	(222,299)
Financing activities		
Interest paid	**(72,383)**	(72,458)
Proceeds from issue of shares, net of transaction costs	**–**	52,229
Proceeds from issue of convertible bonds	**121,950**	–
New bank and other borrowings raised	**20,000**	1,121,892
Repayments of bank and other borrowings	**(396,492)**	(710,000)
Advance from a director	**59,000**	–
Repayment to a director	**(59,000)**	–
Repayment of lease liabilities, including related interests	**(27,294)**	–
Repayment of loan from a non-controlling shareholder of a subsidiary	**(30,080)**	(43,190)
Net cash (used in)/generated from financing activities	**(384,299)**	348,473
Net (decrease)/increase in cash and cash equivalents	**(15,792)**	77,529
Cash and cash equivalents at beginning of the year	**132,755**	56,988
Effect of foreign exchange rate changes	**(6,153)**	(1,762)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**110,810**	132,755

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 53 to 147 form an integral part of these financial statements.

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 42. to the consolidated financial statements.

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

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

2. GOING CONCERN BASIS

The Group incurred a net loss of approximately HK$119,066,000 during the year ended 30 June 2020 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$145,855,000 and HK$119,446,000 respectively, indicating the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 June 2020 after taking into consideration of the following:

i) On 22 July 2020, the Company repaid the loan principal of HK$27,000,000 and the relevant accrued interest to Luk Fook 3D Management Company Limited ("Luk Fook 3D"), a non-controlling shareholder of a subsidiary. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all of its liabilities and obligations owing to Luk Fook 3D under CB 2019 (as defined in note 23). Details of the loans from a non-controlling shareholder of a subsidiary are in note 29 to the consolidated financial statements.

ii) On 22 July 2020, the Company obtained a loan of HK$27,000,000 from a non-controlling shareholder of a subsidiary, which was unsecured, interest bearing at 18% per annum and repayable on 22 July 2021.

iii) On 23 September 2020, one of the creditors of the Group had confirmed that the repayment of the amounts due by the Group of approximately HK$20,000,000 shall be extended from 12 November 2020 to 12 July 2021.

iv) On 22 September 2020, the holder of CB 2023 (as defined in note 23) confirmed that the first repayment date regarding the interests of CB 2023 shall be extended from 16 January 2021 to 15 July 2021.

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

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

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

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

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

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

In addition, the Group has early applied Amendment to HKFRS 16 "*COVID-19-Related Rent Concessions*", which will be mandatorily effective for annual periods beginning on or after 1 June 2020, with earlier application is permitted.

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

HKFRS 16, Leases

The Group has applied HKFRS 16 for the first time in the current year, HKFRS 16 superseded HKAS 17 "*Leases*" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "*Determining whether an Arrangement contains a Lease*" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recongised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16, Leases *(Continued)*

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i) relied on the assessment of whether leases are onerous by applying HKAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" as an alternative of impairment review;

ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

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

iv) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities was approximately 8%.

	At 1 July 2019 HK$'000
Operating lease commitments disclosed as at 30 June 2019	72,240
Less: Practical expedient – leases with remaining lease term ending on or before 30 June 2020	(14,334)
Operating lease commitments before discounting as at 30 June 2019	57,906
Less: Total future interest expenses	(5,382)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 July 2019	52,524
Analysed as:	
Current	29,933
Non-current	22,591
	52,524

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16, Leases *(Continued)*

As a lessee (Continued)

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

	Right-of-use assets HK$'000
Rights-of-use assets relating to operating leases recognised upon application of HKFRS 16	52,524
Adjustments on rental deposits paid at 1 July 2019 (note (a))	984
	53,508

The following adjustments were made to the amounts recognised in the consolidated statement of financial positon at 1 July 2019. Line items that were not affected by the changes have not been included.

		Carrying amount previously reported at 30 June 2019 HK$'000	**Adjustments** HK$'000	**Carrying amount under HKFRS 16 at 1 July 2019** HK$'000
Right-of-use assets		–	53,508	53,508
Deposits paid	Note (a)	8,375	(984)	7,391
Total of non-current assets		244,766	52,524	297,290
Lease liabilities		–	29,933	29,933
Total of current liabilities		2,195,612	29,933	2,225,545
Net current liabilities		91,897	29,933	121,830
Total assets less current liabilities		152,869	22,591	175,460
Leases liabilities		–	22,591	22,591
Total of non-current liabilities		162,016	22,591	184,607
Net liabilities		9,147	–	9,147

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16, Leases *(Continued)*

As a lessee (Continued)

Notes:

a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$984,000 was adjusted to refundable rental deposits paid and right-of-use assets.

b) In view of temporary differences relating to right-of-use assets and lease liabilities are insignificant as at 1 July 2019, no deferred taxation is recognised in the consolidated financial statements upon application of HKFRS 16.

c) For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 June 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 July 2019 as disclosed above.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

COVID-19-related rent concessions

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

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

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

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Amendment to HKFRS 16, COVID-19-Related Rent Concessions *(Continued)*

Transition and summary of effects

The Group has early applied the amendment in the current year. The application has no impact to the opening accumulated losses at 1 July 2019. The Group recognised changes in lease payments that resulted from rent concessions of HK$5,121,000 in the profit or loss for the current year.

Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle

The annual improvement packages amended the following four standards.

HKAS 12 Income Taxes

The amendments clarify that an entity should recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

HKAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

HKFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

HKFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation. Such adoption does not have any material impact on the consolidated financial position and the financial result of the Group.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 1	Classitication of Liabilities as Current or Non-current[6]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended use[5]
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfiling a Contract[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[5]

[1] Effective for annual periods beginning on or after 1 January 2021.
[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 a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2020.
[5] Effective for annual periods beginning on or after 1 January 2022.
[6] Effective for annual periods beginning on or after 1 January 2023.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Expect for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HFKRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. In particular, the amendments:

– include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

– replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

– include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 and HKAS 8 Definition of Material *(Continued)*

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual framework for financial reporting 2018 (the "New Framework") and the amendments to references to the conceptual framework in HKFRS Standards

The New Framework:

– reintroduces the terms stewardship and prudence;

– introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

– discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

– states that the primary measure of financial performance is profit or loss, an that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

– discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual period beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 July 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

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

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

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

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

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

The significant accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

– has power over the investee;

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

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

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

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

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

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

– rights arising from other contractual arrangements; and

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combination

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in a joint venture *(Continued)*

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with a joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in a joint venture that are not related to the Group.

Revenue from contracts with customers

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

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

Output method

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

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

Variable consideration

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

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

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

Refund liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Sale with a right of return/exchange

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

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

b) a refund liability/contract liability; and

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

Principal versus agent

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

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

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

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

– any initial direct costs incurred by the Group; and

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) *(Continued)*

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

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

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

The Group as a lessee (prior to 1 July 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets-research and development expenditure

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

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

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

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

– the ability to use or sell the intangible asset;

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination *(Continued)*

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

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

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

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Provisions

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

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

Foreign currencies

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

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

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

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Share options granted to consultants

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

Government grants

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs and termination benefits

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

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Financial instruments

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "*Business Combinations*" applies.

i) Amortised cost and interest income

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

ii) Equity instruments designated as at FVTOCI

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The ECL on loan receivables and all other instruments are assessed individually. Loan receivables and all other instruments that are considered, with reference to internal credit rating, as low risk are assessed under 12-month ECL. Loan receivables and all other instruments that are considered as doubtful or loss are assessed under lifetime ECL.

i) Significant increase in credit risk

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

iii) Credit-impaired financial assets

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

iv) Write-off policy

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

v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

– Nature of financial instruments (i.e. the Group's trade receivables are each assessed as a separate group. Loan receivables are assessed for expected credit losses on an individual basis);

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible bonds contain debt and derivative components

Convertible bonds issued by the Group that contain both liability and conversion option derivative components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option derivative components are recognised at fair value.

In subsequent periods, the liability component of convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Going concern

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

Control over CGS

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

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

Key sources of estimation uncertainty

Valuation of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In estimating the amount of allowance of inventories, it is the Group's policy to review the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of inventory allowance. In addition, management appoints an independent external valuer to perform valuation on certain jewellery items as reference for allowance consideration. The Group carries out an inventory review at the end of the reporting period and makes allowance when the subsequent estimated net realisable value of inventories is less than the original estimate. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to adverse economic conditions. As at 30 June 2020, the carrying amount of the Group's inventories is HK$635,536,000 (2019: HK$857,389,000).

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

Key sources of estimation uncertainty *(Continued)*

Depreciation of property, plant and equipment

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

Estimation of current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such difference will impact the current and deferred income tax provisions in the period in which such determinations are made. As at 30 June 2020, the carrying amount of income tax liabilities is approximately HK1,795,000 (2019: approximately HK$544,000), deferred tax liabilities is approximately HK$45,267,000 (2019: approximately HK$42,016,000) and deferred tax assets is approximately HK$7,379,000 (2019: approximately HK$11,857,000).

Fair value of derivative financial instruments

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative component of convertible bonds, assumptions are made based on quoted market rates adjusted for specific features of the instrument. As at 30 June 2020, the carrying amount of derivative component of convertible bonds recognised as current liabilities of HK$11,314,000 (2019: Nil).

Impairment assessment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of these intangible assets. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period, in which the key assumptions include the discount rate, short-term and long-term growth rate, taking into account the economic outlook, the Group's past sales experience and industry growth forecasts to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2020, the carrying amount of the Group's intangible assets is HK$169,144,000 (2019: HK$169,144,000).

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 39 and 16, respectively.

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

Key sources of estimation uncertainty *(Continued)*

Provision of ECL for loan receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan receivables are disclosed in notes 39 and 22, respectively.

6. REVENUE AND SEGMENT INFORMATION

a) Revenue

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

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China		Retail sales operations for selling gold and jewellery products in Hong Kong and Macau		Wholesales and sub-contracting operations for gold and jewellery products in Mainland China		Others		Total	
	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
Retail sales of goods	**529,228**	784,454	**213,248**	450,364	**–**	–	**–**	–	**742,476**	1,234,818
Wholesales of goods	**–**	–	**–**	–	**–**	138,163	**–**	–	**–**	138,163
Franchising and licensing income	**53,648**	71,477	**–**	–	**–**	–	**–**	–	**53,648**	71,477
Sub-contracting service fee income	**–**	–	**–**	–	**–**	3,454	**–**	–	**–**	3,454
Trading of computer products	**–**	–	**–**	–	**–**	–	**8,739**	–	**8,739**	–
Goods and services	**582,876**	855,931	**213,248**	450,364	**–**	141,617	**8,739**	–	**804,863**	1,447,912
Interest (Note)	**–**	–	**–**	–	**–**	–	**–**	13,041	**–**	13,041
	582,876	855,931	**213,248**	450,364	**–**	141,617	**8,739**	13,041	**804,863**	1,460,953

Note: Interest represented the interest income from money lending business, which is accounted for under HKFRS 9.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

a) Revenue *(Continued)*

Disaggregation of revenue for the year ended 30 June 2020

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

a) Revenue *(Continued)*

Disaggregation of revenue for the year ended 30 June 2019

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China HK$'000	Retail sales operations for selling gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Total HK$'000
Geographical markets					
– Mainland China	855,931	–	141,617	–	997,548
– Hong Kong and Macau	–	450,364	–	13,041	463,405
	855,931	450,364	141,617	13,041	1,460,953
Timing of revenue recognition					
– A point in time	784,454	450,364	141,617	–	1,376,435
– Over time	71,477	–	–	–	71,477
	855,931	450,364	141,617	–	1,447,912
Interest (Note)	–	–	–	13,041	13,041
	855,931	450,364	141,617	13,041	1,460,953

Note: Interest represented the interest income from money lending business, which is accounted for under HKFRS 9.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

a) Revenue *(Continued)*

Performance obligations for contracts with customers

Retail sales

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

Wholesales

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

Franchising and licensing operations

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

b) Segment information

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

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

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

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

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

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

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

Segment revenues and results

For the year ended 30 June 2020

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

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 30 June 2019

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
REVENUE						
External sales	855,931	450,364	141,617	1,447,912	13,041	1,460,953
RESULT						
Segment results	40,052	(3,158)	(17,881)	19,013	(74,464)	(55,451)
Unallocated other income						8,881
Unallocated corporate staff and directors' salaries						(32,915)
Other unallocated corporate expenses						(14,500)
Advertising, promotion and business development expenses						(38,611)
Change in fair value of derivatives embedded in convertible bonds						385
Exchange loss, net						(10,550)
Write-back of amount due to a joint venture						11
Unallocated finance costs						(79,341)
Loss before taxation						(222,091)
Income tax expense						(8,788)
Loss for the year						(230,879)

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

The Group has initially applied HKFRS 16 at 1 July 2019 using modified retrospective approach. Under this approach, comparative information is not restated (see note 3).

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

Segment assets and liabilities

As at 30 June 2020

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

As at 30 June 2019

	Reportable segments					
	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Total HK$'000	Others (Note) HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	742,927	318,532	12,059	1,073,518	603	1,074,121
Intangible assets						169,144
Equity instruments at FVTOCI						3,584
Deferred tax assets						11,857
Pledged bank deposits						941,388
Bank balances and cash						132,755
Other corporate assets						15,632
Consolidated assets						2,348,481
LIABILITIES						
Segment liabilities	185,576	27,866	2,220	215,662	–	215,662
Bank and other borrowings						1,911,892
Loans from a non-controlling shareholder of a subsidiary						157,080
Income tax liabilities						544
Deferred tax liabilities						42,016
Other corporate liabilities						30,434
Consolidated liabilities						2,357,628

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

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

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

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

Other entity-wide segment information

For the year ended 30 June 2020

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Other entity-wide segment information *(Continued)*

For the year ended 30 June 2019

	Retail sales and franchising operations for gold and jewellery products in Mainland China HK$'000	Retail sales operations for gold and jewellery products in Hong Kong and Macau HK$'000	Wholesales and sub-contracting operations for gold and jewellery products in Mainland China HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment result or segment assets:						
Additions of property, plant and equipment	20,509	6,790	776	–	1,121	29,196
Depreciation of property, plant and equipment	14,475	6,294	976	–	2,318	24,063
Impairment loss on property, plant and equipment recognised in profit or loss	–	–	3,782	–	–	3,782
Loss on disposal of property, plant and equipment	302	543	–	–	–	845

Geographical information

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

For the year ended 30 June 2020

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Geographical information *(Continued)*

For the year ended 30 June 2019

	Non-current assets HK$'000	Revenue from external customers HK$'000
Mainland China	34,582	997,548
Hong Kong and Macau	17,224	463,405
	51,806	1,460,953

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

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income from bank deposits	**6,840**	4,954
COVID-19-related rent concessions received	**5,121**	-
Government grants	**1,947**	-
Interest income from rental deposits	**584**	-
Gain on modification of lease	**42**	-
Sundry income	**3,034**	3,927
	17,568	8,881

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interests on:		
Bank and other borrowings	**68,745**	69,845
Loans from a non-controlling shareholder of a subsidiary	**3,550**	544
Lease liabilities	**3,027**	–
Effective interest on convertible bonds (note 23(a))	**6,338**	8,952
Total interest expense on financial liabilities not at fair value through profit or loss	**81,660**	79,341

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. For the details, please refer to note 3.

9. LOSS BEFORE TAXATION

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

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	**1,950**	2,743
Cost of inventories recognised as an expense	**527,427**	1,054,221
Depreciation of property, plant and equipment	**21,111**	24,063
Depreciation of right-of-use assets	**30,621**	–
Exchange loss, net	**20,223**	10,550
Loss on disposal of property, plant and equipment	**1,728**	845
Total minimum lease payments for leases previously classified as operating lease under HKAS 17*	**–**	133,822
Lease payments not included in the measurement of lease liabilities	**54,148**	–
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	**133,601**	169,922
– Retirement benefit costs	**11,438**	18,842
	145,039	188,764
(Reversal of allowance)/allowance of inventories, net (included in cost of sales)	**(483)**	286

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 July 2019 to recognise right-of-use assets relating to leases which previously classified as operating leases under HKAS17. After initial recognition of right-of-use assets at 1 July 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated (see note 3).

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a) Directors' emoluments

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

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

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

a) Directors' emoluments *(Continued)*

		For the year ended 30 June 2019			
Name of director	Notes	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors					
Mr. Xu Zhigang	(a)	–	986	18	1,004
Mr. Lam Kwok Hing Wilfred	(b)	–	1,607	18	1,625
Mr. Wu, Xiaolin	(c)	–	230	3	233
Mr. Zhao Jianguo	(b)	–	684	18	702
Ms. Dai Wei		–	600	18	618
Mr. Li Ning	(d)	–	75	–	75
Non-executive director					
Mr. Hu, Hongwei	(e)	186	–	–	186
Independent non-executive directors					
Mr. Fan Anthony Ren Da		360	–	–	360
Dr. Loke, Yu Hoi Lam		300	–	–	300
Mr. Xu Xiaoping		300	–	–	300
		1,146	4,182	75	5,403

Notes:

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

b) Resigned on 12 June 2019.

c) Resigned on 28 August 2018.

d) Appointed on 12 June 2019.

e) Appointed on 29 March 2019 as non-executive director, re-designated as executive director on 13 July 2019 and further re-designated as non-executive director on 27 July 2020.

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

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

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

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

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

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

b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2019: two) were directors of the Company whose emoluments are included in note 10(a) above.

The emoluments of the remaining three (2019: three) individuals are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries	**6,022**	6,391
Bonuses	**581**	439
Retirement benefit costs	**54**	54
	6,657	6,884

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

	2020 **Number of employees**	2019 Number of employees
Emolument bands		
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
	3	3

11. INCOME TAX EXPENSE

	2020 **HK$'000**	2019 HK$'000
Current tax:		
PRC Enterprise Income Tax	**2,268**	2,986
PRC Withholding Tax	**16,658**	–
	18,926	2,986
Deferred taxation (note 20)	**7,729**	5,802
	26,655	8,788

11. INCOME TAX EXPENSE *(Continued)*

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

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

Pursuant to rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in Bermuda and the BVI.

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

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

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

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

	2020 **HK$'000**	2019 HK$'000
Loss before taxation	**(92,411)**	(222,091)
Notional tax on loss before tax, calculated at rates applicable in the jurisdictions concerned (Note)	**(15,605)**	(39,146)
Tax effect of income not taxable for tax purpose	**(5,912)**	(890)
Tax effect of expenses not deductible for tax purpose	**9,849**	6,743
Tax effect of tax losses not recognised	**20,349**	40,718
PRC withholding tax	**16,658**	–
Others	**1,316**	1,363
Income tax expense for the year	**26,655**	8,788

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

12. DIVIDENDS

No dividend was paid or proposed for both years ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER ORDINARY SHARE

	2020 **HK$'000**	2019 HK$'000
Loss:		
Loss for the year attributable to owners of the Company for the purposes of basic loss per ordinary share	**(62,721)**	(181,414)
Effect of dilutive potential ordinary shares		
– Effective Interest on CB 2023	**6,338**	–
– Change in fair value of derivatives embedded in CB 2023	**(19,681)**	–
– Gain on conversion of CB 2023	**(14,239)**	–
Loss for the year attributable to owners of the Company for the purposes of diluted loss per ordinary share	**(90,303)**	(181,414)

	2020 **'000**	2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per ordinary share (Note)	**1,278,956**	1,057,937
Effect of dilutive potential ordinary shares:		
CB 2023	**358,719**	–
Weighted average number of ordinary shares for the purpose of diluted loss per ordinary share	**1,637,675**	1,057,937

Note: For the year ended 30 June 2020, the computation of diluted loss per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price.

For the year ended 30 June 2019, the computation of diluted loss per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price, and the conversion of CB 2019 since their conversion would result in a decrease in loss per ordinary share.

14. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
As at 1 July 2018	6,234	75,899	57,864	2,350	142,347
Exchange realignment	(234)	(2,057)	(1,144)	–	(3,435)
Additions	183	23,169	5,067	777	29,196
Disposals	–	(6,189)	(5,903)	(559)	(12,651)
As at 30 June 2019 and 1 July 2019	6,183	90,822	55,884	2,568	155,457
Exchange realignment	(246)	(2,856)	(1,101)	–	(4,203)
Additions	–	6,206	2,384	–	8,590
Disposals	(5,937)	(32,761)	(8,732)	(987)	(48,417)
As at 30 June 2020	–	61,411	48,435	1,581	111,427
Accumulated depreciation and impairment					
As at 1 July 2018	104	48,338	38,638	2,345	89,425
Exchange realignment	(4)	(1,374)	(788)	–	(2,166)
Provided for the year	204	17,787	5,928	144	24,063
Impairment loss recognised in profit or loss	1,064	1,603	1,115	–	3,782
Eliminated upon disposals	–	(5,465)	(5,429)	(559)	(11,453)
As at 30 June 2019 and 1 July 2019	1,368	60,889	39,464	1,930	103,651
Exchange realignment	(55)	(1,996)	(781)	–	(2,832)
Provided for the year	–	15,987	4,968	156	21,111
Eliminated upon disposals	(1,313)	(30,915)	(7,233)	(985)	(40,446)
As at 30 June 2020	–	43,965	36,418	1,101	81,484
Carrying values					
As at 30 June 2020	–	17,446	12,017	480	29,943
As at 30 June 2019	4,815	29,933	16,420	638	51,806

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

During the year ended 30 June 2019, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that a number of assets were impaired due to a series of disposal subsequent to the end of the reporting period. The recoverable amount of the relevant assets, which have been determined on the basis of fair value less costs to disposal, is less than the carrying amounts. Accordingly, impairment losses of HK$3,782,000 had been recognised in respect of property, plant and equipment, which were used in the Group's wholesales and sub-contracting operations in Mainland China.

15. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
Cost	
At 30 June 2019	–
Impact on initial application of HKFRS 16 (note 3)	53,508
At 1 July 2019	53,508
Exchange realignment	(530)
Additions	3,014
Termination of leases	(2,045)
At 30 June 2020	53,947
Accumulated depreciation	
At 1 July 2019	–
Provided for the year	30,621
Modification of lease	(1,235)
At 30 June 2020	29,386
Carrying value	
At 30 June 2020	24,561

15. RIGHT-OF-USE ASSETS *(Continued)*

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

	2020 **HK$'000**	2019 HK$'000 (Note)
Depreciation charge of right-of-use assets by class of underlying asset:		
– Properties leased for own use	**30,621**	–
Interest on lease liabilities	**3,027**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	133,822
Variable lease payments not included in the measurement of lease liabilities	**37,738**	–
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	**16,410**	–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 July 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 July 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

Cash outflow for leases

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

	2020 **HK$'000**	2019 HK$'000 (Note)
Within operating cash flows	**(54,148)**	(133,822)
Within financing cash flows	**(27,294)**	–
	(81,442)	(133,822)

Note: The adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative information have not been restated.

These amounts relate to the following:

	2020 **HK$'000**	2019 HK$'000
Lease rental paid	**(81,442)**	(133,822)

Details of maturity of lease liabilities are set out in notes 28 and 39(b).

15. RIGHT-OF-USE ASSETS *(Continued)*

Variable lease payments

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

For both years, the Group leases retail shops and office for its operations. Lease contracts are entered into for fixed term of 0.25 to 3.08 years, but certain leases contain extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

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

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

16. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	2020 HK$'000	2019 HK$'000
Deposits paid under non-current assets represent:		
Rental deposits	**1,844**	8,375
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	**36,443**	89,835
Less: allowance for credit loss (note)	**(89)**	(6,725)
	36,354	83,110
Rental deposits	**12,775**	7,936
Value-added tax receivables	**20,773**	54,263
Prepayment	**34,499**	10,061
Loan interest receivables, net of allowance for credit loss (note 22)	**–**	–
Other receivables and deposits paid	**4,897**	11,273
	109,298	166,643

Note: During the year ended 30 June 2020, trade receivables of HK$89,835,000 as at 30 June 2019 have been settled by the customers. Accordingly, impairment loss on trade receivables recognised under expected credit loss model of HK$6,370,000 have been reversed and recognised in profit or loss.

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

As at 30 June 2020, trade receivables from contracts with customers amounted to HK$36,354,000 (2019: HK$83,110,000).

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The Group generally allows a credit period up to 90 days (2019: up to 90 days) to its debtors.

Included in trade receivables as at 30 June 2020 is amount related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$2,777,000 (2019: HK$746,000).

Included in rental deposits and other receivables and deposits paid as at 30 June 2020 are amounts related to a fellow subsidiary of a non-controlling shareholder of a subsidiary amounting to HK$825,000 (2019: HK$5,167,000).

As at 30 June 2019, the loan interest receivables were arising from money lending business with gross carrying amount of HK$11,558,000 and full impairment loss provided. Details of impairment assessment of loan interest receivables for the year ended 30 June 2019 are set out in note 39.

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

	2020 **HK$'000**	2019 HK$'000
0-30 days	**34,891**	50,366
31-60 days	**1,244**	5,082
61-90 days	**15**	28
Over 90 days	**204**	27,634
	36,354	83,110

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

	2020 **HK$'000**	2019 HK$'000
Neither past due nor impaired	**34,891**	50,286
Past due but not impaired:		
1-30 days	**1,244**	4,932
31-60 days	**15**	196
61-90 days	**204**	15,314
Over 90 days	**–**	12,382
	36,354	83,110

As at 30 June 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,463,000 (2019: HK$32,824,000) which are past due as at the reporting date. Out of the past due balances, HK$ Nil (2019: HK$12,382,000) has been past due 90 days or more and is not considered as in default because of the good repayment records of those customers and continuous business relationship with the Group. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the years ended 30 June 2020 and 2019 are set out in note 39.

17. INTANGIBLE ASSETS

	2020 HK$'000	2019 HK$'000
Trademarks (Note)	**168,066**	168,066
License	**1,078**	1,078
	169,144	169,144

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

On 30 June 2020, management of the Group conducted impairment review on the trademarks. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period and a pre-tax discount rate of 10% (2019: 12%). Pre-tax discount rate applied reflects the current market assessment of the time value of money and the risk specific to the cash generating unit. The cash flows beyond the ten-year period are extrapolated using a 3% (2019: 3%) growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. The growth rate does not exceed the long-term average growth rate for the relevant industry. Based on the assessments, management of the Group expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks.

18. INTEREST IN A JOINT VENTURE

	2020 HK$'000	2019 HK$'000
Unlisted investments, at cost	**–**	2,000
Share of post-acquisition losses	**–**	(2,000)
	–	–

As at 30 June 2020 and 2019, the Group had interests in the following joint venture:

Name of entity	Attributable interest to the Group 2020	2019	Proportion of voting power held 2020	2019	Principal activity
La Milky Way International Company Limited ("La Milky Way") (Note (a))	**–**	50%	**–**	50%	Deregistered (2019: In process of deregistration) (Note (b))

Notes:

a) The place of incorporation and the principal place of operation of La Milky Way were in Hong Kong.

b) In May 2019, the shareholders of La Milky Way resolved to approve the commencement of its deregistration process, and La Milky Way has been deregistered on 27 September 2019.

18. INTEREST IN A JOINT VENTURE *(Continued)*

Notes: *(Continued)*

Information of a joint venture that is not material:

	2020 HK$'000	2019 HK$'000
The unrecognised share of profit of a joint venture for the year	**–**	–
Cumulative unrecognised share of losses of a joint venture	**–**	(19,619)

19. EQUITY INSTRUMENTS AT FVTOCI

	Notes	2020 HK$'000	2019 HK$'000
Quoted equity investments			
– Equity instruments at FVTOCI	(a)	**2,007**	3,584
Unquoted equity investments			
– Equity instruments at FVTOCI	(b)	**–**	–
		2,007	3,584

Notes:

a) The quoted equity investment is stated at its fair value, determined by reference to bid prices quoted in an active market. The management considered that the investment at the end of the reporting period is held for strategic purpose.

During the year ended 30 June 2019, the Group disposed of the quoted equity investment, at a consideration of HK$7,658,000, which was also the fair value as at the date of disposal. A cumulative loss on disposal of HK$8,477,000 has been transferred to accumulated losses.

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

20. DEFERRED TAXATION

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**(7,379)**	(11,857)
Deferred tax liabilities	**45,267**	42,016
	37,888	30,159

20. DEFERRED TAXATION *(Continued)*

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

	Fair value adjustment on intangible assets HK$'000 (Note)	Provision on trade and other receivables HK$'000	Provision on staff benefits in the PRC HK$'000	Provision on inventories HK$'000	Unused tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 July 2018	42,016	(247)	(3,893)	(5,373)	–	(8,146)	24,357
(Credit)/charge to profit or loss	–	(90)	(533)	3,363	(1,409)	4,471	5,802
As at 30 June 2019 and 1 July 2019	42,016	(337)	(4,426)	(2,010)	(1,409)	(3,675)	30,159
(Credit)/charge to profit or loss	–	334	507	782	(820)	6,926	7,729
As at 30 June 2020	**42,016**	**(3)**	**(3,919)**	**(1,228)**	**(2,229)**	**3,251**	**37,888**

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

As at 30 June 2020, the Group has unused tax losses of HK$1,064,467,000 (2019: HK$933,256,000) available to offset against future profits. Deferred tax asset has been recognised in respect of HK$8,916,000 (2019: HK$5,636,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,055,551,000 (2019: HK$927,620,000) due to the unpredictability of future profit streams.

As at 30 June 2020, the Group had unused tax losses amounting to HK$74,582,000 (2019: HK$70,214,000) that will expire by 2025 (2019: 2024) and HK$989,885,000 (2019: 863,042,000) that will be carried forward indefinitely.

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$38,571,000 (2019: HK$230,492,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

21. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**33,585**	51,366
Finished goods	**601,951**	806,023
	635,536	857,389

Inventories are measured at the lower of cost and net realisable value. The Group has recognised net changes of allowance of HK$483,000 (2019: allowance of HK$286,000) and included in "cost of sales".

22. LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Fixed-rate loan receivables		
– Secured	**10,000**	10,000
– Unsecured	**64,400**	64,400
Less: allowance for credit loss	**(74,400)**	(74,400)
	–	–

As at 30 June 2020, the Group held collateral of entire equity interest of a private limited company for secured loan receivables at principal amount of HK$10,000,000 (2019: HK$10,000,000). Loan receivables at principal amount of HK$12,000,000 (2019: HK$12,000,000) are unsecured and guaranteed by respective sole shareholder of the borrowers, while the remaining loan receivables are unsecured and unguaranteed. Included in the unsecured loan receivables as at 30 June 2020 are loans advanced to a substantial shareholder at principal amount of HK$2,900,000 (2019: HK$2,900,000).

Secured loan receivable carries fixed-rate interests at 21% (2019: 21%) per annum and with maturity of 1 year. Unsecured loan receivables carry fixed-rate interests ranged from 15% to 22% (2019: 15% to 22%) per annum and with maturity ranged from 6 months to 1 year (2019: 6 months to 1 year). All amounts of principal will be receivable on respective maturity dates.

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

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

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

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

22. LOAN RECEIVABLES *(Continued)*

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

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

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

Details of each of the loan transactions were as follows:

			Loan principals		Loan interest receivables	
			2020	2019	**2020**	2019
	Notes	Due date	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Borrower A	(i), (iii)	7 June 2019	**14,000**	14,000	**2,503**	2,503
Borrower B	(i), (iv)	10 July 2019	**2,500**	2,500	**397**	397
		5 August 2019	**4,000**	4,000	**624**	624
		30 August 2019	**3,500**	3,500	**613**	613
Borrower C	(ii), (v)	18 July 2019	**7,500**	7,500	**1,447**	1,447
Borrower D	(ii), (v)	18 July 2019	**4,500**	4,500	**868**	868
Borrower E	(i), (iii), (vi)	25 July 2019	**5,000**	5,000	**674**	674
		31 July 2019	**5,000**	5,000	**674**	674
Borrower F	(i), (iii)	2 March 2019	**600**	600	**99**	99
		30 July 2019	**2,000**	2,000	**267**	267
Borrower G	(i), (iii)	23 August 2019	**10,000**	10,000	**1,787**	1,787
Borrower H	(ii), (iii)	25 September 2019	**10,000**	10,000	**1,145**	1,145
Borrower I	(i), (iii), (vii)	26 November 2019	**200**	200	**3**	23
		5 December 2019	**2,700**	2,700	**37**	308
Borrower J	(ii), (iii), (viii)	20 March 2020	**2,900**	2,900	**129**	129
			74,400	74,400	**11,267**	11,558

22. LOAN RECEIVABLES *(Continued)*

Notes:

i) The borrower is an individual.

ii) The borrower is a private corporate.

iii) The loan receivable is unsecured and unguaranteed.

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

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

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

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

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

As at 30 June 2020, included in the Group's loan receivables balance are debtors with aggregate carrying amounts of HK$74,400,000 (2019: HK$14,600,000) which are past due as at the reporting date, of which HK$74,400,000 (2019: HK$600,000) has been past due 90 days or more. The Group has issued either writs of summons or statutory demand demanding the debtors for repayment of loans and the interests accrued thereon. Based on the abovementioned circumstances, the Group has provided impairment loss on all the loan receivables and related interest receivables. Details of impairment assessment for the years ended 30 June 2020 and 2019 are set out in note 39.

23. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Convertible bonds

Convertible bonds due 2019 ("CB 2019")

In connection with the disposal of 50% of the Group's interest in CGS on 6 June 2014, the Company entered into a subscription agreement with the Purchaser for the issue of CB 2019 with aggregate principal amount of HK$57,080,000. CB 2019 bears interest at the rate of 3% per annum payable annually in arrears on 31 December and the convertible bonds mature on the date falling on the fifth anniversary from the date of issue of such convertible bond.

The conversion can be made at anytime commencing on the date falling the second anniversary of the issue date and expiring on the date which is 3 days preceding the maturity date, at a conversion price of HK$0.178 per ordinary shares (adjusted to HK$0.712 upon completion of the Share Consolidation (as defined in note 31(a)), subject to anti-dilutive adjustments.

Upon issuance of CB 2019, amounts of HK$28,666,000 and HK$56,036,000 were recognised as liability and derivative embedded in CB 2019 at initial recognition, respectively.

Subsequent to the expiry of the original maturity of CB 2019 on 6 June 2019 as set out in the relevant agreement, the Company has entered into a supplemental agreement with the Purchaser and agreed the CB 2019 is required to be redeemed by the Company at a price of HK$57,080,000 not later than 9 September 2019, with interest charging at 8% per annum. The conversion options lapsed as a consequence on 6 June 2019.

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

a) Convertible bonds *(Continued)*

Convertible bonds due 2019 ("CB 2019") *(Continued)*

As at 30 June 2019, the liability component of CB 2019 amounting to HK$57,080,000 is reclassified to loans from a non-controlling shareholder of a subsidiary.

The movements of the liability component of CB 2019 are set out below:

	Liability component HK$'000
At 1 July 2018	49,753
Coupon interest accrued at 1 July 2018 and included in other payables	824
Interest charged during the year	8,952
Payment of coupon interest	(2,449)
Reclassified to loans from a non-controlling shareholder of a subsidiary	(57,080)
At 30 June 2019, 1 July 2019 and 30 June 2020	–

The effective interest rates of CB 2019 was 19.47% per annum.

Convertible bonds due 2023 ("CB 2023")

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

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

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

During the year ended 30 June 2020, convertible bonds with principle amount of HK$42,000,000 (2019: Nil) were converted and the Company allotted and issued 280,000,000 (2019: Nil) new ordinary shares on 15 June 2020 (2019: N/A) accordingly.

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

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

a) Convertible bonds *(Continued)*

Convertible bonds due 2023 ("CB 2023") *(Continued)*

When the convertible bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components in the convertible bonds are recognised in profit or loss. During the year ended 30 June 2020, an amount of approximately HK$14,239,000 (2019: Nil), being the difference between the fair value of shares issued upon conversion of convertible bonds of approximately HK$21,000,000 (2019: Nil) and the carrying amounts of the derivative and liability components of convertible bonds of approximately HK$35,239,000 (2019: Nil), was recognised as "gain on conversion of convertible bonds" in profit or loss.

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

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

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

	Liability component HK$'000
At 1 July 2018, 30 June 2019 and 1 July 2019	–
Issuance of CB 2023	86,856
Coupon interest accrued at 30 June 2020 and included in other payables	(2,187)
Conversion of convertible bonds	(31,259)
Interest charged during the year	6,338
Exchange realignment	(614)
At 30 June 2020	59,134

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

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

b) Derivative components of convertible bonds

	Embedded derivatives		
	CB 2019 HK$'000	**CB 2023** HK$'000	**Total** HK$'000
At 1 July 2018	385	–	385
Change in fair value	(385)	–	(385)
At 30 June 2019 and 1 July 2019	–	–	–
Issuance of CB 2023	–	35,671	35,671
Recognition of deferred day one loss	–	(577)	(577)
Change in fair value	–	(19,766)	(19,766)
Amortisation of deferred day one loss in profit of loss	–	85	85
		(19,681)	(19,681)
Conversion of convertible bonds	–	(3,980)	(3,980)
Exchange realignment	–	(119)	(119)
At 30 June 2020	–	11,314	11,314

As set out in note 23(a), CB 2019's conversion options lapsed during the year ended 30 June 2019.

The gain on change in fair value of embedded derivative of the convertible bonds for the year ended 30 June 2020 of HK$19,766,000 (2019: HK$385,000) and amortisation of day one loss of HK$85,000 (2019: HK$Nil) were recognised as "Change in fair value of derivative embedded in convertible bonds" in the consolidated statement of profit or loss and other comprehensive income, of which HK$11,575,000 (2019: HK$Nil) was related to derivative components of CB 2023 (2019: CB 2019) at 30 June 2020. The related interest expense of the liability component of the convertible bonds for the year ended 30 June 2020 amounted to HK$6,338,000 (2019: HK$8,952,000), which was calculated using the effective interest method.

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to HK$767,778,000 (2019: HK$941,388,000) have been pledged to secure certain short-term bank loans and are therefore classified as current assets. Pledged bank deposits will be released upon the settlement of relevant loans.

Bank balances earns interest at floating rates based on daily bank deposit rates. Pledged bank deposits carry interest at fixed rates ranging from 0.1% to 2.59% (2019: 1.84% to 2.35%) per annum.

As at 30 June 2020 and 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Included in the bank balances and cash of the Group as at 30 June 2020 are bank balances amounting to HK$28,792,000 (2019: HK$26,207,000) which are denominated in currencies other than the functional currencies of the respective group entities.

25. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2020 HK$'000	2019 HK$'000
Trade payables	**14,211**	37,839
Deposits received	**15,000**	25,000
Franchisee guarantee deposits (Note)	**45,721**	48,986
Value-added tax payables	**3,429**	17,374
Salary and bonus payables	**45,376**	52,960
Other payables, accruals and other deposits	**37,469**	35,906
	161,206	218,065

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

The credit period on purchase of goods ranges up to 90 days (2019: up to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

Included in trade payables as at 30 June 2020 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$138,000 (2019: HK$882,000).

Deposits received at 30 June 2020 amounting to HK$15,000,000 (2019: HK$25,000,000) are unsecured, interest bearing of 8% per annum, and repayable on demand (2019: unsecured, interest bearing of 8% per annum, and repayable on demand).

Included in franchisee guarantee deposits and other payables, accruals and other deposits as at 30 June 2020 are deposits received from and other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$443,000 (2019: HK$922,000) and HK$96,000 (2019: HK$894,000) respectively.

Included in other payables, accruals and other deposits as at 30 June 2020 are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$2,096,000 (2019: HK$2,365,000).

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

	2020 HK$'000	2019 HK$'000
0-30 days	**13,981**	33,428
31-60 days	**107**	2,808
61-90 days	**–**	472
Over 90 days	**123**	1,131
	14,211	37,839

26. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Receipts in advance from franchisees (Note a)	**13,157**	20,383
Customer loyalty programmes (Note b)	**1,359**	2,866
	14,516	23,249

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

	Receipts in advance from customers HK$'000	Customer loyalty programmes HK$'000
For the year ended 30 June 2020		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	16,672	857
For the year ended 30 June 2019		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	25,783	1,059

Notes:

a) The Group receives deposits from franchisees before the relevant franchising and licensing activities commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit received.

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

27. REFUND LIABILITIES

	2020 HK$'000	2019 HK$'000
Refund liabilities arising from right of return	**2,834**	4,782

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

28. LEASE LIABILTIES

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

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

The loan from a non-controlling shareholder of a subsidiary of HK$100,000,000 is unsecured, interest-free and mutually agreed by the Group and the lender not to be repaid within one year after the end of the reporting period. Another loans from a non-controlling shareholder of a subsidiary of HK$20,000,000 and HK$23,190,000 were unsecured, interest bearing at 2% per annum and repayable in August 2018 and September 2018, respectively were repaid during the year ended 30 June 2019.

During the year ended 30 June 2019, the Company has entered into a supplemental agreement with the Purchaser, namely Luk Fook 3D, in connection with the CB 2019 (as defined in note 23(a)), resulting into reclassification of the liability component of CB 2019 amounting HK$57,080,000 to loan from Luk Fook 3D, a non-controlling shareholder of a subsidiary. Such loan is unsecured, interest bearing at 8% per annum and repayable in September 2019.

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

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

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

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

During the year ended 30 June 2020, the Group repaid the loan principal amounting approximately HK$30,080,000.

In July 2020, the Company repaid the remaining amount of loan principal amounting HK$27,000,000, together with the relevant accrued interest, to Luk Fook 3D. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all of its liabilities and obligations owing to Luk Fook 3D under CB 2019.

The Hong Kong Petition and the Bermuda Petition have been withdrawn as at the date of this report.

30. BANK AND OTHER BORROWINGS

	2020	2019
	HK$'000	HK$'000
Secured floating rate bank borrowings	**1,510,000**	1,860,749
Unsecured fixed rate other borrowings		
– independent third parties	**25,400**	51,143
	1,535,400	1,911,892
Secured	**1,510,000**	1,860,749
Unsecured	**25,400**	51,143
	1,535,400	1,911,892
Carrying amounts repayable:		
Within one year*	**175,400**	187,892
More than two years but not exceeding five years*	**–**	20,000
	175,400	207,892
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities)		
– Repayable within one year*	**1,360,000**	1,704,000
	1,535,400	1,911,892
Less: Amounts due within one year and shown under current liabilities	**(1,535,400)**	(1,891,892)
Amounts shown under non-current liabilities	**–**	20,000

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

30. BANK AND OTHER BORROWINGS *(Continued)*

	Notes	Maturity date	Effective interest rate 2020	Effective interest rate 2019	Carrying amount 2020 HK$'000	Carrying amount 2019 HK$'000
Bank borrowings:						
Secured HK$ bank loans	(a)	July 2020 (2019: July 2019)	**3.75%**	4.22%	**396,000**	504,000
Secured HK$ bank loans	(b)	July 2020 (2019: July 2019)	**3.53%**	3.94%	**900,000**	900,000
Secured HK$ bank loans	(c)	June 2021 (2019: June 2020)	**3.51%**	4.75%	**150,000**	150,000
Secured HK$ bank loans	(d)	July 2020 (2019: July 2019)	**3.77%**	3.89%	**64,000**	300,000
Secured RMB bank loans	(e)	N/A (2019: May 2019)	**N/A**	6.09%	**–**	6,749
Total bank borrowings					**1,510,000**	1,860,749
Unsecured other borrowings:						
An independent third party	(f)	N/A (2019: 25 December 2019)	**N/A**	36%	**–**	3,343
An independent third party	(g)	12 November 2020 (2019: 12 November 2020)	**5%**	5%	**20,000**	20,000
An independent third party	(h)	15 July 2020 (2019: 15 July 2019)	**20%-22%**	18%-20%	**5,400**	22,800
An independent third party	(h)	N/A (2019: 29 May 2019)	**N/A**	18%	**–**	5,000
					25,400	51,143
Total bank and other borrowings					**1,535,400**	1,911,892

Notes:

a) The bank loans are secured by pledged bank deposits and interest bearing at 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.08% to 2.5% per annum.

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

c) The bank loans are secured by pledged bank deposits and interest bearing at 1-month HIBOR plus 1.5% to 2.5% per annum.

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

e) The bank loans are secured by land use right provided by an independent third party and interest bearing at People's Bank of China ("PBOC") lending rate plus 1.78% per annum.

f) The loan was interest bearing at a fixed rate of 36% per annum.

g) The loan is interest bearing at a fixed rate of 5% per annum.

h) The loans are interest bearing at a fixed rate ranging from 20% to 22% (2019: 18% to 20%) per annum.

31. SHARE CAPITAL

	Note	'000	HK$'000
Authorised:			
Ordinary shares of HK$0.01 each at 1 July 2018		20,000,000	200,000
Adjustments from Share Consolidation	(a)	(15,000,000)	–
Ordinary shares of HK$0.04 each at 30 June 2019, 1 July 2019 and 30 June 2020		5,000,000	200,000
Preference shares of HK$0.01 each at 1 July 2018		3,000,000	30,000
Adjustments from Share Consolidation	(a)	(2,250,000)	–
Preference shares of HK$0.04 each at 30 June 2019, 1 July 2019 and 30 June 2020		750,000	30,000
Total:			
At 1 July 2018		23,000,000	230,000
At 30 June 2019, 1 July 2019 and 30 June 2020		5,750,000	230,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.01 each at 1 July 2018		3,822,423	38,224
Adjustments from Share Consolidation	(a)	(3,028,817)	–
Issue of shares	(b)(i), (ii) & (iii)	473,110	12,444
Ordinary shares of HK$0.04 each at 30 June 2019 and 1 July 2019		1,266,716	50,668
Issue of shares	(c)	280,000	11,200
Ordinary shares of HK$0.04 each at 30 June 2020		1,546,716	61,868

Notes:

a) Pursuant to the resolution passed on 17 July 2018, the consolidation of every four issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company into one consolidated ordinary share of par value of HK$0.04 each in the share capital of the Company (the "Share Consolidation") became effective on 18 July 2018. Upon the completion of the Share Consolidation, the conversion price and the number of share issued upon conversion of the CB 2019 (as disclosed in note 23) and the exercise price and the number of underlying shares comprised in the outstanding options of the Company (as disclosed in note 32) have been adjusted accordingly.

b)(i) On 18 July 2018, the Company issued 216,000,000 ordinary shares by way of placing at a price of HK$0.0728 per share, which has been consolidated into 54,000,000 shares upon the completion of the Share Consolidation.

b)(ii) On 20 July 2018, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party agreed to subscribe 47,110,000 shares of the Company at the subscription price of HK$0.25 per share. The subscription was completed on 30 July 2018.

b)(iii) On 29 May 2019, the Company entered into a subscription agreement with an independent third party, pursuant to which the independent third party agreed to subscribe 210,000,000 shares of the Company at the subscription price of HK$0.12 per share. The subscription was completed on 18 June 2019.

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

32. SHARE-BASED PAYMENT TRANSACTIONS

2009 Share Option Scheme

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

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

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

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

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

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

As at 30 June 2020, the number of options which remain outstanding under the 2009 Share Option Scheme was 26,700,000 (2019: 64,995,831) which, if exercise in full, representing 1.70% (2019: 4.88%) of the enlarged capital of the Company, as a result of the Share Consolidation (as defined in note 31(a)) on 17 July 2018.

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

2009 Share Option Scheme *(Continued)*

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

					Number of opinions					
Eligible person	Date of grant	Exercisable period	Exercise price HK$ (Note a)	Adjustment exercise price after Share Consolidation HK$ (Note a)	Outstanding as at 1.7.2018	Adjusted after share consolidation (Note a)	Lapsed during the year (Note b)	Outstanding as at 30.6.2019 and 1 July 2029	Lapsed during the year (Note b)	Outstanding as at 30.6.2020
Directors	23.1.2009	23.1.2009 to 22.1.2019	0.4280	1.7120	525,604	(394,203)	(131,401)	–	–	–
	20.7.2009	20.7.2009 to 19.7.2019	1.2980	5.1920	1,279,718	(959,789)	(290,845)	29,084	(29,084)	–
	26.7.2011	26.7.2011 to 25.7.2021	0.4810	1.9240	1,163,380	(872,535)	(290,845)	–	–	–
	26.7.2011	26.7.2012 to 25.7.2021	0.4810	1,9240	1,745,070	(1,308,803)	(436,267)	–	–	–
	26.7.2011	26.7.2013 to 25.7.2021	0.4810	1.9240	2,326,761	(1,745,071)	(581,690)	–	–	–
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	0.9152	600,000	(450,000)	–	150,000	–	150,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	0.9152	2,600,000	(1,950,000)	(500,000)	150,000	–	150,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	0.9152	2,600,000	(1,950,000)	(500,000)	150,000	–	150,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	0.3232	150,500,000	(112,875,000)	(26,250,000)	11,375,000	–	11,375,000
					163,340,533	(122,505,401)	(28,981,048)	11,854,084	(29,084)	11,825,000
Employees	20.7.2009	20.7.2009 to 19.7.2019	1.2980	5.1920	1,163,380	(872,535)	–	290,845	(290,845)	–
	25.1.2013	28.2.2013 to 24.1.2023	0.2288	0.9152	1,000,000	(750,000)	–	250,000	–	250,000
	25.1.2013	28.2.2014 to 24.1.2023	0.2288	0.9152	1,000,000	(750,000)	–	250,000	–	250,000
	25.1.2013	28.2.2015 to 24.1.2023	0.2288	0.9152	2,500,000	(1,875,000)	–	625,000	–	625,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	0.3232	131,000,000	(98,250,000)	–	32,750,000	(32,750,000)	–
					136,663,380	(102,497,535)	–	34,165,845	(33,040,845)	1,125,000
Consultants	20.7.2009	20.7.2009 to 19.7.2019	1.2980	5.1920	232,676	(174,508)	–	58,168	(58,168)	–
	13.4.2010	13.4.2009 to 12.4.2020	1.2030	4.8120	2,326,761	(1,745,071)	–	581,690	(581,690)	–
	13.4.2010	13.7.2010 to 12.4.2020	1.2030	4.8120	5,816,901	(4,362,676)	–	1,454,225	(1,454,225)	–
	13.4.2010	13.10.2010 to 12.4.2020	1.2030	4.8120	5,816,901	(4,362,676)	–	1,454,225	(1,454,225)	–
	13.4.2010	13.1.2011 to 12.4.2020	1.2030	4.8120	6,710,377	(5,032,783)	–	1,677,594	(1,677,594)	–
	27.2.2013	28.2.2014 to 24.1.2023	0.2288	0.9152	10,000,000	(7,500,000)	–	2,500,000	–	2,500,000
	27.2.2013	28.2.2015 to 24.1.2023	0.2288	0.9152	10,000,000	(7,500,000)	–	2,500,000	–	2,500,000
	12.1.2018	12.1.2018 to 11.1.2028	0.0808	0.3232	35,000,000	(26,250,000)	–	8,750,000	–	8,750,000
					75,903,616	(56,927,714)	–	18,975,902	(5,225,902)	13,750,000
					375,907,529	(281,930,650)	(28,981,048)	64,995,831	(38,295,831)	26,700,000
Exercisable at the end of the year					375,907,529			64,995,831		26,700,000
Weighted average exercise price					0.1692	–	0.4711	0.7683	0.9770	0.4690

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

2009 Share Option Scheme *(Continued)*

Notes:

a) The number of share options and the corresponding exercise price were adjusted from 375,907,529 to 93,976,879 with exercise price ranging from HK$0.3232 to HK$5.1920 per share option as a result of Share Consolidation on 17 July 2018.

b) The lapse of the share options is due to the resignation of a director and certain employees and expiration of options (2019: resignation of a directors).

No share options were granted during the years ended 30 June 2020 and 2019 under the 2009 Share Option Scheme.

2020 Share Option Scheme

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

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

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

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

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

2020 Share Option Scheme *(Continued)*

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

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

No share options were granted during the year ended 30 June 2020 under the 2020 Share Option Scheme.

33. OPERATING LEASES

The Group is the lessee in respect of certain of its retail shops, offices and warehouses held under leases which were previously classified as operating lease under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 July 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 4.

The Group as lessee

As at 30 June 2019, the Group had commitments for future minimum lease payments for retail shops, offices and warehouses under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Within one year	44,344
In the second to fifth years inclusive	27,896
	72,240

Leases are negotiated for lease terms of one to five years.

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated based on the relevant retail shops' revenue pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent payable.

The above lease commitments as at 30 June 2019 included the non-cancellable operating leases with a fellow subsidiary of a non-controlling shareholder of the Company amounted to HK$2,925,000 in the band of "within one year" and HK$9,090,000 in the band of "in the second to fifth year inclusive".

34. CAPITAL COMMITMENTS

	2020	2019
	HK$'000	HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	367

35. RETIREMENT BENEFIT PLANS

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

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

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

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

As at 30 June 2020 and 30 June 2019, the Group had no significant obligation apart from the contribution as stated above.

36. PLEDGE OF ASSETS

As at 30 June 2020, the Group's bank deposits with carrying amounts of HK$767,778,000 (2019: HK$941,388,000) were pledged to banks as securities to obtain the banking facilities granted to subsidiaries of the Group.

37. RELATED PARTY DISCLOSURES

a) Related party transactions

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

Relationship	Nature of transactions	2020 HK$'000	2019 HK$'000
A director of the Company	Interest expense	**372**	–
A non-controlling shareholder of a subsidiary	Interest expense	**3,550**	544
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	License income	**34**	81
	Purchase of gold and jewellery products	**1,741**	12,383
	Rental expense	**–**	4,189
	Repayment of lease liabilities	**4,391**	–
	Sale of jewellery	**881**	7,596
	Sale of consumables	**2**	12
	Specialty fee	**72**	475
	Subcontracting fee	**81**	310
A company in which a director of a subsidiary has beneficial interest	License and service fee	**4,219**	5,121

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

As at 30 June 2020, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK$1,075,000,000 (2019: HK$1,075,000,000) to banks in respect of banking facilities granted to the Group. No fee is paid or payable by the Group to the guarantor.

b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the consolidated statement of financial position and in notes 16, 22, 23, 25 and 29.

c) Compensation of key management personnel

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

38. CAPITAL RISK MANAGEMENT

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

The capital structure of entities in the Group consists of debts, which include convertible bonds disclosed in note 23, bank and other borrowings disclosed in note 30, loans from a non-controlling shareholder of a subsidiary disclosed in note 29 and equity attributable to owners of the Company, comprising issued share capital and reserves.

38. CAPITAL RISK MANAGEMENT *(Continued)*

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

39. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Equity instruments at FVTOCI	**2,007**	3,584
Financial assets at amortised cost	**933,251**	1,166,050
Financial liabilities		
Derivative financial instruments	**11,314**	–
At amortised costs	**1,900,985**	2,226,262

b) Financial risk management objectives and policies

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

Market risk

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from a non-controlling shareholder of a subsidiary (note 29), fixed-rate bank and other borrowings (note 30) and fixed-rate convertible bonds (note 23). The Group is also exposed to cash flow interest rate risk which is mainly concentrated on the fluctuation of HIBOR and PBOC lending rate arising from the Group's HK$ and RMB denominated borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates of floating-rate bank borrowings only as management consider reasonable possible change in interest rate on floating-rate bank balances would not have material financial impact to the Group. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. Other than that, a 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

39. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk sensitivity analysis (Continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the result of the Group would have been impacted as follows:

	2020	2019
	HK$'000	HK$'000
Increase/decrease in loss for the year	**7,550**	9,304

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets and liabilities are denominated in HK$, RMB, MOP and United States Dollar ("US$") which are currencies other than the functional currencies of the respective group entities (see respective notes). The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the monetary assets and liabilities, which are trade and other receivables, bank balances and cash, trade and other payables, accruals and deposits received, bank and other borrowings, loans from a non-controlling shareholder of a subsidiary and convertible bonds, that are denominated in currencies other than the functional currencies of the respective group entities of the Group at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**30,633**	29,576	**246,469**	233,387
RMB	**101**	150	**–**	414
US$	**73**	77	**–**	553

The sensitivity analysis does not include MOP denominated assets held by entity with HK$ as its functional currency as it is expected that there would be no material currency risk exposure.

Currency risk sensitivity analysis

The foreign currency risk of the Group is mainly concentrated on the fluctuations of RMB against HK$ and US$. The sensitivity analysis below includes currency risk related to HK$ and US$ denominated monetary items of group entities whose functional currencies are RMB and also currency risk related to RMB denominated monetary items of group entities whose functional currencies are HK$ and US$.

The following table details the sensitivity of the Group to a 5% increase and decrease in RMB against HK$ and US$ respectively. 5% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates.

39. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk sensitivity analysis (Continued)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the functional currency of the respective group entity. A positive number below indicates a decrease in loss where RMB strengthens against HK$ and US$. For a 5% weakening of RMB against HK$ and US$, there would be an equal and opposite impact and the balances below would be negative.

	2020	2019
	HK$'000	HK$'000
Loss for the year		
RMB against HK$	**10,788**	10,191
RMB against US$	**(3)**	24

Price risk

The Group is engaged in the sale of jewellery includes gold products. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group closely monitor the commodity price and may consider to use gold loans as well as financial derivatives instruments, such as gold bullion contracts through margin account and bullion forward contracts to reduce its exposure to fluctuations in the gold price on gold inventory when need.

In addition, the Group is exposed to equity price risk through its investments in listed equity securities as disclosed in note 19. Management of the Group monitors the price risk and will consider hedging the risk exposure should the need arise.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underline the fair values of the derivative component in convertible bonds of the Group at the end of reporting period.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If the price of the equity investment had been 10% higher/lower, investment revaluation reserve would increase/decrease by HK$201,000 (2019: HK$358,000) for the Group as a result of the changes in fair value of equity instruments at FVTOCI.

If the share price of the Company had been 10% higher/lower, loss for the year would increase by HK$2,242,000/decrease by HK$3,033,000 (2019: HK$nil) for the Group as a result of the change in fair value of derivative embedded in convertible bonds.

If the volatility of the share price of the Company had been 10% higher/lower, loss for the year would increase by HK$1,555,000/decrease by HK$2,534,000 (2019: HK$nil) for the Group as a result of the change in fair value of derivative embedded in convertible bonds.

39. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

As at 30 June 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial positon.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risks on other receivables are insignificant as the management of the Group periodically monitors the balances to ensure that the counterparties are viable to settle the debts.

The credit risks on bank balances and pledged bank deposits are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit raging	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL-not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL-not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2020 HK$'000	Gross carrying amount 2019 HK$'000
Financial assets at amortised cost						
Trade receivables	16	N/A (2019:N/A)	(Note 1)	Lifetime ECL-not credit-impaired (provision matrix)	**36,443**	87,081
				Lifetime ECL-credit-impaired	**–**	2,754
					36,443	89,835
Loan receivables	22	N/A (2019:N/A)	(Note 2) Loss	Lifetime ECL-credit-impaired	**74,400**	74,400
Loan interest receivables	16	N/A (2019:N/A)	(Note 2) Loss	Lifetime ECL-credit-impaired	**11,267**	11,558
Other receivables and deposits paid	16	N/A (2019:N/A)	(Note 3)	12-month ECL	**18,309**	8,797
Pledged bank deposits	24	A or above (2019: Aa3 or above)	N/A	12-month ECL	**767,778**	941,388
Bank balances	24	A or above (2019: Baa2 or above)	N/A	12-month ECL	**109,641**	130,788

Notes:

1. For trade receivables, the Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Company determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

39. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

1. *(Continued)*

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The internal credit rating is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Based on the ECL assessment, loss allowance provision of HK$89,000 (2019: HK$6,725,000) for trade receivables was recognised as at 30 June 2020.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables:

	Lifetime ECL (not credit–impaired) HK$'000	Lifetime ECL (credit– impaired) HK$'000	Total HK$'000
As at 1 July 2018	2,035	–	2,035
Impairment losses recognised	1,936	2,754	4,690
As at 30 June 2019 and 1 July 2019	3,971	2,754	6,725
Impairment losses reversed	(3,725)	(2,645)	(6,370)
Exchange realignment	(157)	(109)	(266)
As at 30 June 2020	89	–	89

2. Loan receivables and relevant interest receivables with gross carrying amounts of HK$74,400,000 (2019: HK$74,400,000) and HK$11,267,000 (2019: HK$11,558,000) were assessed individually, respectively.

As at 30 June 2020, loan receivables and relevant interest receivables with gross carrying amounts of HK$74,400,000 (2019: HK$74,400,000) and HK$11,267,000 (2019: HK$11,558,000), respectively, were considered as "loss" after taking into account the credit history of the debtors including default and delay in payments, and other forward-looking information that is available without undue cost or effort.

As disclosed in note 22, during the process of Forensic Investigation, it alleged the Involved Former CEO and Involved Former Directors' negligence and malfeasance in approving and granting the loan transactions, thereby calling into question the commercial reasonableness of those loan transactions, in light that they did not maintain a professional skepticism to establish a reasonable and reliable credit evaluation mechanism, hire a professional credit team to conduct credit risk assessment, and establish an effective internal control mechanism to monitor the credit review and approval process, for instance, proper due diligence and thorough background check were not conducted before granting the relevant transactions.

As at 30 June 2020 and up to the date of issuing 2020 annual report of the Company, 100% (2019: over 95%) of the loan receivables have been past due, and the Group has issued either writs of summon or statutory demand for demanding repayment. The directors of the Company considered an increasing uncertainty in recoverability of the loan transactions and there is evidence indicating that these debtors are credit-impaired, after taking into account all the circumstances as disclosed in note 22 and the findings of Forensic Investigation Report. In this regard, full impairment losses of HK$74,400,000 (2019: HK$74,400,000) and HK$11,267,000 (2019: HK$11,558,000) were provided for these loan receivables and relevant interest receivables respectively as at 30 June 2020.

39. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

2. *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for loan receivables and relevant interest receivables:

	Lifetime ECL (credit– impaired) HK$'000
As at 1 July 2018	–
Impairment losses recognised	85,958
As at 30 June 2019 and 1 July 2019	85,958
Impairment loss reversed (note)	(291)
As at 30 June 2020	85,667

Note: During the year ended 30 June 2020, the Group recovered interest receivables of approximately HK$291,000 from one of the debtors. Accordingly, a reversal of impairment loss of approximately HK$291,000 was recognised in profit or loss.

3. The Group has assessed and concluded that the rate of default and 12-month ECL for the other receivables and deposits paid are insignificant based on the Group's assessment of historical default experience and forward-looking information available at the end of the reporting period. Thus, the directors of the Company considered that the impairment loss of the other receivables and deposits paid of the Group is insignificant as at 30 June 2020 and 2019.

Liquidity risk

Regarding the liquidity risk, management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 30 June 2020, the Group has available unutilised revolving banking facilities of HK$640,000,000 (2019: HK$296,000,000). Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings and convertible bonds as significant sources of liquidity. The Group's current liabilities exceeded its current assets by HK$145,855,000 (2019: HK$91,897,000) and its total liabilities exceeded its total assets by HK$119,446,000 (2019: HK$9,147,000) as at 30 June 2020. Taking into account the basis as set out in note 2 to the consolidated financial statements, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period.

The following tables detail the Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on agreed repayment dates. The tables include both interest and principal cash flows.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis, and the undiscounted gross outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the market value existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

39. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table

As at 30 June 2020	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities								
Trade and other payables	1.10	109,009	–	–	–	–	109,009	109,009
Franchisee guarantee deposits	–	–	–	45,721	–	–	45,721	45,721
Bank and other borrowings:								
– fixed rate	8.61	5,444	–	20,370	–	–	25,814	25,400
– variable rate	3.60	1,360,000	–	155,265	–	–	1,515,265	1,510,000
Lease liabilities	8.00	2,680	5,253	13,741	3,482	738	25,894	24,721
Convertible bonds	17.01	308	492	2,399	3,198	81,672	88,069	59,134
Loans from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	8.00	27,132	–	–	–	–	27,132	27,000
		1,504,573	5,745	237,496	106,680	82,410	1,936,904	1,900,985

As at 30 June 2019	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities								
Trade and other payables	–	108,304	–	–	–	–	108,304	108,304
Franchisee guarantee deposits	–	–	–	48,986	–	–	48,986	48,986
Bank and other borrowings:								
– fixed rate	13.43	28,230	1,000	3,945	1,000	21,000	55,175	51,143
– variable rate	4.16	1,864,761	–	–	–	–	1,864,761	1,860,749
Loans from a non-controlling shareholder of a subsidiary								
– interest free	–	–	–	–	100,000	–	100,000	100,000
– fixed rate	8.00	351	439	57,168	–	–	57,958	57,080
		2,001,646	1,439	110,099	101,000	21,000	2,235,184	2,226,262

39. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

Bank loans with a repayment on demand clause are included in the "on demand or in 30 days" time band in the above maturity analysis. As at 30 June 2020, the aggregate amounts of these bank loans amounted to HK$1,360,000,000 (2019: HK$1,704,000,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
As at 30 June 2020					
Bank borrowing with a repayment on demand clause	1,361,511	–	–	1,361,511	1,360,000
As at 30 June 2019					
Bank borrowings with a repayment on demand clause	1,707,737	–	–	1,707,737	1,704,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

39. FINANCIAL INSTRUMENTS *(Continued)*

c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements and valuation processes

Certain assets and liabilities of the Group are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree of which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

39. FINANCIAL INSTRUMENTS *(Continued)*

c) Fair value measurements of financial instruments *(Continued)*

Fair value measurements and valuation processes *(Continued)*

Financial assets/liabilities included in the consolidated statement of financial position	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30.6.2020 HK$'000	30.6.2019 HK$'000			
1) Equity instruments at FVTOCI-Quoted equity investment	**2,007**	3,584	Level 1	Bid prices quoted in active market.	Not applicable
2) Equity instruments at FVTOCI-Unquoted equity investment	**–**	–	Level 3	The fair value is estimated based on the underlying assets and liabilities, taking into consideration of discount for lack of marketability and minority discount.	Discount for lack of marketability and minority discount (Note a)
3) Conversion option derivatives embedded in convertible bonds	**11,314**	–	Level 3	Binomial option pricing model The fair value is estimated based on the share price, dividend yield, volatility of the share price of the Company and risk-free rate.	Volatility of the share price by reference to the historical share price of the Company (Note b)

Notes:

a) The higher the discount for lack of marketability and minority discount, the lower the fair value of the unquoted equity investment.

b) The higher the volatility of the share price of the Company, the higher the fair value of the conversion option derivative. For the volatility of the share price of the Company used in the fair value measurement, please refer to note 23.

There is no transfer between different levels of the fair value hierarchy for the years ended 30 June 2020 and 30 June 2019.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded as amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities (categories within Level 3 hierarchy) are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payables HK$'000	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Loans from a non-controlling shareholder of a subsidiary HK$'000	Convertible bonds HK$'000	Total HK$'000
As at 1 July 2018	824	1,500,000	–	143,190	49,753	1,693,767
Financing cash flows:						
– New bank and other borrowings raised	–	1,121,892	–	–	–	1,121,892
– Repayments of bank and other borrowings	–	(710,000)	–	–	–	(710,000)
– Interest paid	(2,102)	(67,743)	–	(164)	(2,449)	(72,458)
– Repayments of loan from a non-controlling shareholder of a subsidiary	–	–	–	(43,190)	–	(43,190)
Total change from financing cash flows	(2,102)	344,149	–	(43,354)	(2,449)	296,244
Reclassification	–	–	–	57,080	(57,080)	–
Interest expenses	2,102	67,743	–	544	8,952	79,341
Coupon interest accrued at 1 July 2018 and included in other payables	(824)	–	–	–	824	–
Interest accrued at 30 June 2019 and included in other payables	380	–	–	(380)	–	–
As at 30 June 2019	380	1,911,892	–	157,080	–	2,069,352
Impact on initial application of HKFRS 16 (note 3)	–	–	52,524	–	–	52,524
	380	1,911,892	52,524	157,080	–	2,121,876
Financing cash flows:						
– New bank and other borrowings raised	–	20,000	–	–	–	20,000
– Repayments of bank and other borrowings	–	(396,492)	–	–	–	(396,492)
– Advance from a director	–	59,000	–	–	–	59,000
– Repayment to a director	–	(59,000)	–	–	–	(59,000)
– Interest paid	(1,672)	(66,955)	–	(3,756)	–	(72,383)
– Issuance of CB 2023	–	–	–	–	121,950	121,950
– Repayment of lease liabilities	–	–	(27,294)	–	–	(27,294)
– Repayments of loan from a non-controlling shareholder of a subsidiary	–	–	–	(30,080)	–	(30,080)
Total change from financing cash flows	(1,672)	(443,447)	(27,294)	(33,836)	121,950	(384,299)
Conversion of convertible bonds	–	–	–	–	(35,239)	(35,239)
Change in fair value of derivatives embedded in convertible bonds	–	–	–	–	(19,681)	(19,681)
COVID-19-related rent concessions received	–	–	(5,121)	–	–	(5,121)
Interest expenses	1,790	66,955	3,027	3,550	6,338	81,660
Addition of right-of-use assets	–	–	2,959	–	–	2,959
Modification of lease	–	–	(852)	–	–	(852)
Coupon interest accrued at 30 June 2020 and included in other payables	2,187	–	–	–	(2,187)	–
Interest accrued at 1 July 2019 and included in other payables	(380)	–	–	380	–	–
Interest accrued at 30 June 2020 and included in other payables	174	–	–	(174)	–	–
Exchange realignment	–	–	(522)	–	(733)	(1,255)
As at 30 June 2020	2,479	1,535,400	24,721	127,000	70,448	1,760,048

41. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Assets and liabilities		
Non-current assets		
Property, plant and equipment	**61**	32
Loan to a subsidiary	**–**	–
Investments in subsidiaries	**170,397**	97,372
Equity instruments at FVTOCI	**2,007**	3,584
	172,465	100,988
Current assets		
Other receivables and deposits paid	**326**	510
Amounts due from subsidiaries	**54,001**	1,866
Bank balances and cash	**48**	23,927
	54,375	26,303
Current liabilities		
Other payables, accruals and deposits received	**21,438**	28,507
Other borrowings	**25,400**	27,800
Loan from a non-controlling shareholder of a subsidiary	**27,000**	57,080
Derivative component of convertible bonds	**11,314**	–
Amounts due to subsidiaries	**23,368**	17,700
	108,520	131,087
Net current liabilities	**(54,145)**	(104,784)
Total assets less current liabilities	**118,320**	(3,796)
Non-current liabilities		
Convertible bonds	**59,134**	–
Other borrowings	**–**	20,000
	59,134	20,000
NET ASSETS/(LIABILITIES)	**59,186**	(23,796)
CAPITAL AND RESERVES		
Share capital	**61,868**	50,668
Reserves (Note)	**(2,682)**	(74,464)
TOTAL EQUITY/(DEFICIT)	**59,186**	(23,796)

41. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: The movements of reserves are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2018	738,063	55,327	21,127	(16,493)	(14,712)	(434,696)	348,616
Loss for the year	–	–	–	–	–	(456,989)	(456,989)
Exchange difference arising on translation	–	–	–	–	(2,000)	–	(2,000)
Fair value loss on equity instruments at FVTOCI	–	–	–	(3,876)	–	–	(3,876)
Total comprehensive expense for the year	–	–	–	(3,876)	(2,000)	(456,989)	(462,865)
Issue of shares, net of transaction costs	39,785	–	–	–	–	–	39,785
Investment revaluation reserve reclassified to accumulated losses upon disposal of equity instruments at FVTOCI	–	–	–	8,477	–	(8,477)	–
Lapse of share options	–	–	(6,079)	–	–	6,079	–
At 30 June 2019 and 1 July 2019	777,848	55,327	15,048	(11,892)	(16,712)	(894,083)	(74,464)
Profit for the year	–	–	–	–	–	57,927	57,927
Exchange difference arising on translation	–	–	–	–	5,632	–	5,632
Fair value loss on equity instruments at FVTOCI	–	–	–	(1,577)	–	–	(1,577)
Total comprehensive income for the year	–	–	–	(1,577)	5,632	57,927	61,982
Issue of shares, net of transaction costs	9,800	–	–	–	–	–	9,800
Lapse of share options	–	–	(10,505)	–	–	10,505	–
At 30 June 2020	787,648	55,327	4,543	(13,469)	(11,080)	(825,651)	(2,682)

42. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinaryshare capital/registered capital held by the Group (Note a) 2020	2019	Attributable equity interest held 2020	2019	Principal activities
3D-GOLD Company Limited	Hong Kong	N/A (2019: N/A)	HK$100 (2019: HK$100)	**100%**	100%	**50%***	50%*	Investment holding
金至尊實業發展(深圳)有限公司 (3D-GOLD Enterprises Development (Shenzhen) Co. Ltd.) (Note b)	PRC	US$62,854,300 (2019: US$60,000,000)	US$62,854,300 (2019: US$60,000,000)	**100%**	100%	**50%***	50%*	Retailing and franchising operations of gold and jewellery products in Mainland China
3D-GOLD International Company Limited	Hong Kong	N/A (2019: N/A)	HK$2 (2019: HK$2)	**100%**	100%	**50%***	50%*	Holding of trademark
3D-GOLD Jewellery (HK) Limited	Hong Kong	N/A (2019: N/A)	HK$100 (2019: HK$100)	**100%**	100%	**50%***	50%*	Retailing of gold and jewellery products in Hong Kong
金至尊珠寶股份有限公司 (3D-GOLD Jewellery Co. Ltd.) (Note c)	PRC	RMB20,000,000 (2019: RMB20,000,000)	RMB20,000,000 (2019: RMB20,000,000)	**N/A**	100%	**N/A**	50%*	Deregistered in 2020 (2019: Sale of jewellery)
3D-GOLD Management Services Limited	Hong Kong	N/A (2019: N/A)	HK$1 (2019: HK$1)	**100%**	100%	**50%***	50%*	Provision of management services
3D-GOLD (PRC Holding) Company Limited	Hong Kong	N/A (2019: N/A)	HK$100 (2019: HK$100)	**100%**	100%	**50%***	50%*	Investment holding
TP Properties (HK) Limited	Hong Kong	N/A (2019: N/A)	HK$100 (2019: HK$100)	**100%**	100%	**100%**	100%	Investment holding
Brand New Management Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$1 (2019: US$1)	**100%**	100%	**100%**	100%	Investment holding
Century Height Limited (Note e)	British Virgin Islands	US$50,000 (2019: N/A)	US$1 (2019: N/A)	**100%**	–	**100%**	–	Investment holding
China Gold Silver Group Company Limited ("CGS")	British Virgin Islands	US$50,000 (2019: US$50,000)	US$3,334 (2019: US$3,334)	**50%**	50%	**50%**	50%	Investment holding
China Gold Silver (JV) Company Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$100 (2019: US$100)	**100%**	100%	**50%***	50%*	Investment holding
China Gold Silver (JV) HK Company Limited	Hong Kong	N/A (2019: N/A)	HK$100 (2019: HK$100)	**100%**	100%	**50%***	50%*	Investment holding
Dian Guo Industrial Development Limited	Hong Kong	N/A (2019: N/A)	HK$10,000 (2019: HK$10,000)	**100%**	100%	**100%**	100%	Investment holding

42. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinaryshare capital/registered capital held by the Group (Note a)		Attributable equity interest held		Principal activities
				2020	2019	**2020**	2019	
Dian Guo Investment Development Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$50,000 (2019: US$50,000)	**100%**	100%	**100%**	100%	Investment holding
Faithful Master Investments Limited	Hong Kong	N/A (2019: N/A)	HK$1 (2019: HK$1)	**100%**	100%	**100%**	100%	Investment holding
Goldace Development Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$100 (2019: US$100)	**100%**	100%	**100%**	100%	Investment holding
Great Tactic Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$1 (2019: US$1)	**100%**	100%	**50%***	50%*	Rental holding
Gold Ocean Jewellery Company Limited	Macau	MOP500,000 (2019: MOP500,000)	MOP500,000 (2019: MOP500,000)	**100%**	100%	**50%***	50%*	Retailing of gold and jewellery products in Macau
Golden Zone International Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$1 (2019: US$1)	**100%**	100%	**50%***	50%*	Investment holding
Jin Song Shu Gold & Jewellery Limited	Hong Kong	N/A (2019: N/A)	HK$100 (2019: HK$100)	**100%**	100%	**100%**	100%	Investment holding
Jin Song Shu Properties Limited	Hong Kong	N/A (2019: N/A)	HK$100 (2019: HK$100)	**100%**	100%	**100%**	100%	Investment holding
Joyrise Ventures Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$1 (2019: US$1)	**100%**	100%	**100%**	100%	Investment holding
Master Joy Global Development Limited (Note e)	Hong Kong	N/A (2019: N/A)	HK$100 (2019: N/A)	**100%**	–	**100%**	–	Trading
Prosten Finance Limited	Hong Kong	N/A (2019: N/A)	HK$10,000 (2019: HK$10,000)	**100%**	100%	**100%**	100%	Money lending
Prosten Wealth Investment Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$50,000 (2019: US$50,000)	**100%**	100%	**100%**	100%	Investment holding
Rainbow Genins Investments Limited	Hong Kong	N/A (2019: N/A)	HK$1 (2019: HK$1)	**100%**	100%	**100%**	100%	Investment holding
Rise Rich International Limited	Hong Kong	N/A (2019: N/A)	HK$10,000 (2019: HK$10,000)	**100%**	100%	**50%***	50%*	Trading of jewellery
Special Link Limited	Hong Kong	N/A (2019: N/A)	HK$1 (2019: HK$1)	**100%**	100%	**50%***	50%*	Investment holding

42. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinaryshare capital/registered capital held by the Group (Note a) 2020	2019	Attributable equity interest held 2020	2019	Principal activities
Talent Wonder Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$1 (2019: US$1)	**100%**	100%	**100%**	100%	Investment holding
Think Bright Global Limited	British Virgin Islands	US$50,000 (2019: US$50,000)	US$1 (2019: US$1)	**100%**	100%	**100%**	100%	Investment holding
Ultra Best Global Limited (Note e)	British Virgin Islands	US$50,000 (2019: N/A)	US$50,000 (2019: N/A)	**100%**	–	**100%**	–	Investment holding
Value Management International Limited (Note e)	Hong Kong	N/A (2019: N/A)	HK$1 (2019: N/A)	**100%**	–	**100%**	–	Not yet commence business
上海金至尊鑽石有限公司(Note b)	PRC	RMB1,000,000 (2019: RMB1,000,000)	RMB1,000,000 (2019: RMB1,000,000)	**100%**	100%	**50%***	50%*	Sales of jewellery
尊福珠寶(重慶)有限公司(Note b)	PRC	RMB1,000,000 (2019: RMB1,000,000)	RMB1,000,000 (2019: RMB1,000,000)	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery products in Mainland China
深圳勝力供應鏈技術有限公司(Note b)	PRC	RMB10,000,000 (2019: RMB10,000,000)	N/A (Note d) (2019: N/A (Note d))	**100%**	100%	**100%**	100%	Investment holding
深圳市滇國實業有限公司(Note b)	PRC	HK$2,000,000 (2019: HK$2,000,000)	N/A (Note d) (2019: N/A (Note d))	**100%**	100%	**100%**	100%	Investment holding
深圳金銀豐珠寶有限公司(Note b)	PRC	RMB10,000,000 (2019: RMB10,000,000)	RMB30,000 (2019: RMB30,000)	**100%**	100%	**100%**	100%	Subcontracting of gold & jewellery
深圳前海卓佳時供應鏈有限公司(Notes b & e)	PRC	RMB60,000,000 (2019: N/A)	RMB24,000,000 (2019: N/A)	**100%**	–	**100%**	–	Computer product trading
金牛智鏈(北京)科技有限公司(Note e)	PRC	RMB20,000,000 (2019: N/A)	N/A (Note d) (2019: N/A)	**100%**	–	**100%**	–	Not yet commence business
至尊金業(深圳)有限公司(Note b)	PRC	RMB1,000,000 (2019: RMB1,000,000)	RMB1,000,000 (2019: RMB1,000,000)	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery produces in Mainland China
重慶金至尊珠寶有限公司(Note b)	PRC	RMB5,000,000 (2019: RMB5,000,000)	RMB5,000,000 (2019: RMB5,000,000)	**100%**	100%	**50%***	50%*	Sale of gold and jewellery

Name of subsidiaries	Place of incorporation/ establishment	Authorised ordinary share capital/ registered capital	Issued and fully-paid ordinary share capital/ paid up capital	Percentage of issued ordinaryshare capital/registered capital held by the Group (Note a)		Attributable equity interest held		Principal activities
				2020	2019	**2020**	2019	
重慶金至尊營銷策劃有限公司(Note b)	PRC	RMB5,000,000 (2019: RMB5,000,000)	RMB5,000,000 (2019: RMB5,000,000)	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery produces in Mainland China
重慶金至尊飾品設計有限公司(Note b)	PRC	RMB5,000,000 (2019: RMB5,000,000)	RMB5,000,000 (2019: RMB5,000,000)	**100%**	100%	**50%***	50%*	Design and wholesales of gold and jewellery products
茂名市金松鼠金銀珠寶有限公司(Note b)	PRC	RMB35,000,000 (2019: RMB35,000,000)	RMB24,936,641 (2019: RMB24,936,641)	**100%**	100%	**100%**	100%	Subcontracting of gold & jewellery
金尊影業(無錫)有限公司(Note b)	PRC	RMB1,000,000 (2019: RMB1,000,000)	N/A (Note d) (2019: N/A (Note d))	**100%**	100%	**100%**	100%	Movie production

* The entities are the wholly owned subsidiaries of CGS and regarded as subsidiaries of the Group (note 5).

Notes:

a) The Company directly holds the interest in Brand New Management Limited and China Gold Silver Group Company Limited. All other interests in subsidiaries shown above are indirectly held by the Company.

b) These companies established in the PRC are wholly owned foreign enterprises.

c) 3D-GOLD Jewellery Co. Ltd. established in the PRC is a sino-foreign joint venture company.

d) Registered capital of the subsidiary was not paid-up as at 30 June 2020.

e) These companies were incorporated during the year ended 30 June 2020.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
			2020	2019	**2020**	2019	**2020**	2019
					HK$'000	HK$'000	**HK$'000**	HK$'000
CGS	British Virgin Islands	PRC	**50%**	50%	**(56,345)**	(49,465)	**(67,651)**	(3,012)

Summarised consolidated financial information in respect of CGS and its subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

42. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

CGS and its subsidiaries

	2020 HK$'000	2019 HK$'000
Current assets	**1,569,426**	2,072,009
Non-current assets	**231,228**	233,411
Current liabilities	**(1,686,621)**	(2,069,428)
Non-current liabilities	**(249,335)**	(242,016)
Equity attributable to owners of CGS	**(135,302)**	(6,024)
Revenue and other income	**813,611**	1,315,169
Expenses	**(928,936)**	(1,413,297)
Reversal of impairment/(impairment loss) on trade receivables recognised under expected credit loss model	**2,635**	(801)
Loss for the year attributable to owners of CGS	**(112,690)**	(98,929)
Other comprehensive expense for the year attributable to owners of CGS	**(16,588)**	(16,571)
Total comprehensive expense for the year attributable to owners of CGS	**(129,278)**	(115,500)
Net cash inflow from operating activities	**229,709**	26,236
Net cash inflow/(outflow) from investing activities	**168,905**	(226,679)
Net cash (outflow)/inflow from financing activities	**(434,900)**	256,612
Net cash (outflow)/inflow	**(36,286)**	56,169

43. EVENTS AFTER THE REPORTING PERIOD

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

a) On 22 July 2020, the Company repaid the loan principal of HK$27,000,000 and the relevant accrued interest Luk Fook 3D, a non-controlling shareholder of a subsidiary. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D has released and discharged the Company from all its liabilities and obligations owing to Luk Fook 3D under CB 2019. Details of the loans from a non-controlling shareholder of a subsidiary are in note 29 to the consolidated financial statements.

b) On 22 July 2020, the Company obtained a loan of HK$27,000,000 from a non-controlling shareholder of a subsidiary, which was unsecured, interest bearing at 18% per annum and repayable on 22 July 2021.

c) On 23 September 2020, one of the creditors of the Group had confirmed that the repayment of the amounts due by the Group of approximately HK$20,000,000 shall be extended from 12 November 2020 to 12 July 2021.

d) On 22 September 2020, CB 2023 Holder had confirmed that the first repayment date regarding the interests of convertible bonds shall be extended from 16 January 2021 to 15 July 2021.

Financial Summary

The following is a summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 30 June 2020 HK$'000	Year ended 30 June 2019 HK$'000	Year ended 30 June 2018 HK$'000	Year ended 30 June 2017 HK$'000	Year ended 30 June 2016 HK$'000
Revenue	**804,863**	1,460,953	1,459,466	1,118,550	1,155,787
Loss before taxation	**(92,411)**	(222,091)	(49,872)	(179,575)	(112,094)
Taxation	**(26,655)**	(8,788)	(18,404)	(7,530)	(8,764)
Loss for the year	**(119,066)**	(230,879)	(68,276)	(187,105)	(120,858)
Total comprehensive expense for the year attributable to owners of the Company	**(66,660)**	(196,060)	(47,654)	(154,821)	(96,297)

ASSETS AND LIABILITIES

	As at 30 June 2020 HK$'000	As at 30 June 2019 HK$'000	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000	As at 30 June 2016 HK$'000
Total assets	**1,863,741**	2,348,481	2,272,694	1,881,191	1,730,734
Total liabilities	**(1,983,187)**	(2,357,628)	(2,076,148)	(1,663,622)	(1,325,614)
Non-controlling interests	**67,651**	3,012	(56,795)	(62,430)	(92,072)
(Deficit)/equity attributable to owners of the Company	**(51,795)**	(6,135)	139,751	155,139	313,048