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

Explore OPPORTUNITIES

annual report 2023

“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: developing online sales platform & introducing premium products

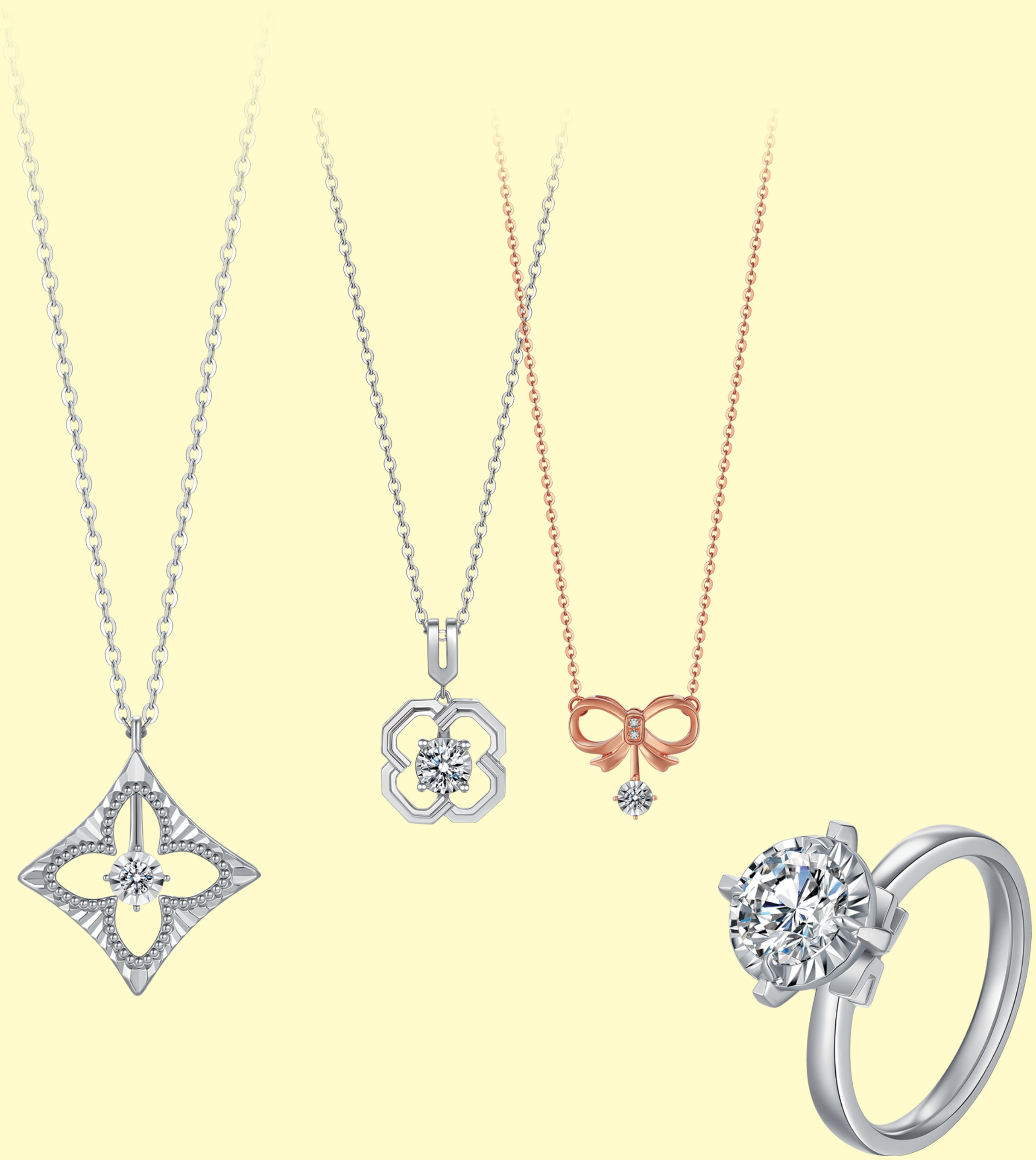
Contents

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 and Hong Kong.

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



Corporate Information

DIRECTORS

Executive Directors

Mr. Li Ning, *Chairman*[c]
Mr. Wang Chaoguang, Co-chairman
Ms. Dai Wei *(resigned on 23 September 2022)*

Non-executive Director

Mr. Hu Hongwei

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam[a, b, c]
Dr. Fan, Anthony Ren Da[a, b, c]
Mr. Chan Kim Sun[a, b, c]

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

COMPANY SECRETARY

Ms. Chan So Fun

AUDITORS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG [Note]

Room 2306, 23/F,
Tower One, Lippo Centre,
No.89 Queensway, Hong Kong

Note: The address of the principal place of business in Hong Kong has been relocated from Room 905, 9/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong to Room 2306, 23/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong with effect from 6 October 2022.

Corporate Information

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2882

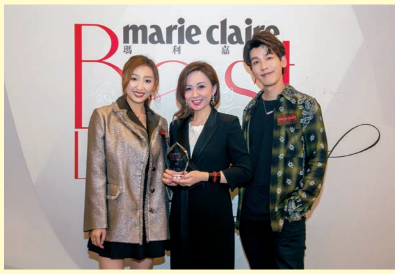
WEBSITE

www.hkrh.hk

Major Events

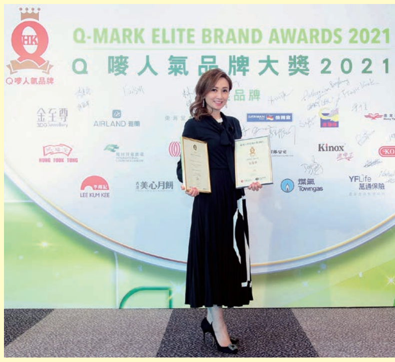
AUGUST 2022

Awarded the "Services Awards 2022 – Jewellery" by Capital Weekly.



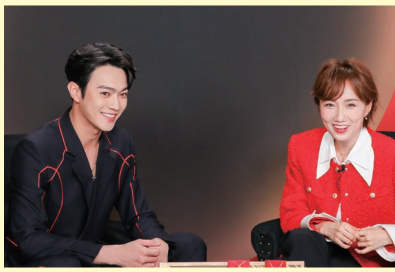
AUGUST 2022

Awarded the "Best Label Award 2021/2022 (Best Jewelry)" by Marie Claire.



SEPTEMBER 2022

Awarded the "Q-Mark Service Elite 2021" by Hong Kong Q-Mark Council.



SEPTEMBER 2022

Organized a live stream cloud launch of "Golden Allure GA" collection at JD.com.

NOVEMBER 2022

Awarded the "ESG Awards 2022" by CAPITAL.

DECEMBER 2022

Awarded the "2022 Quality Service Retailer of the Year of Flagship Stores – Gold Award" by Hong Kong Retail Management Association.

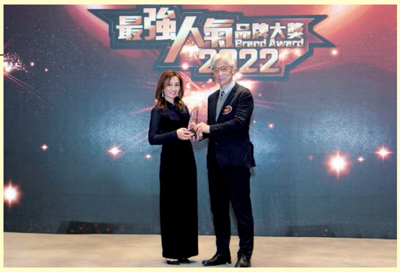
Major Events

DECEMBER 2022

Awarded the "2022 Quality Service Retailer of the Year (Watch & Jewellery Category Award)" by Hong Kong Retail Management Association.

DECEMBER 2022

Awarded the "Brand Award 2022" by TVB Weekly.



FEBRUARY 2023

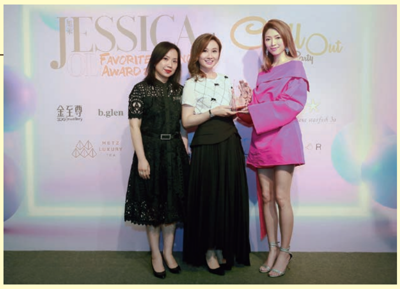
Awarded the "2022 Outstanding QTS Merchant – Gold Award (Jewellery & Watches)" by Hong Kong Tourism Board.

MAY 2023

Organized a "520 Blooming Love" Jewellery Roadshow at Hisense Plaza in Tianjin of PRC.

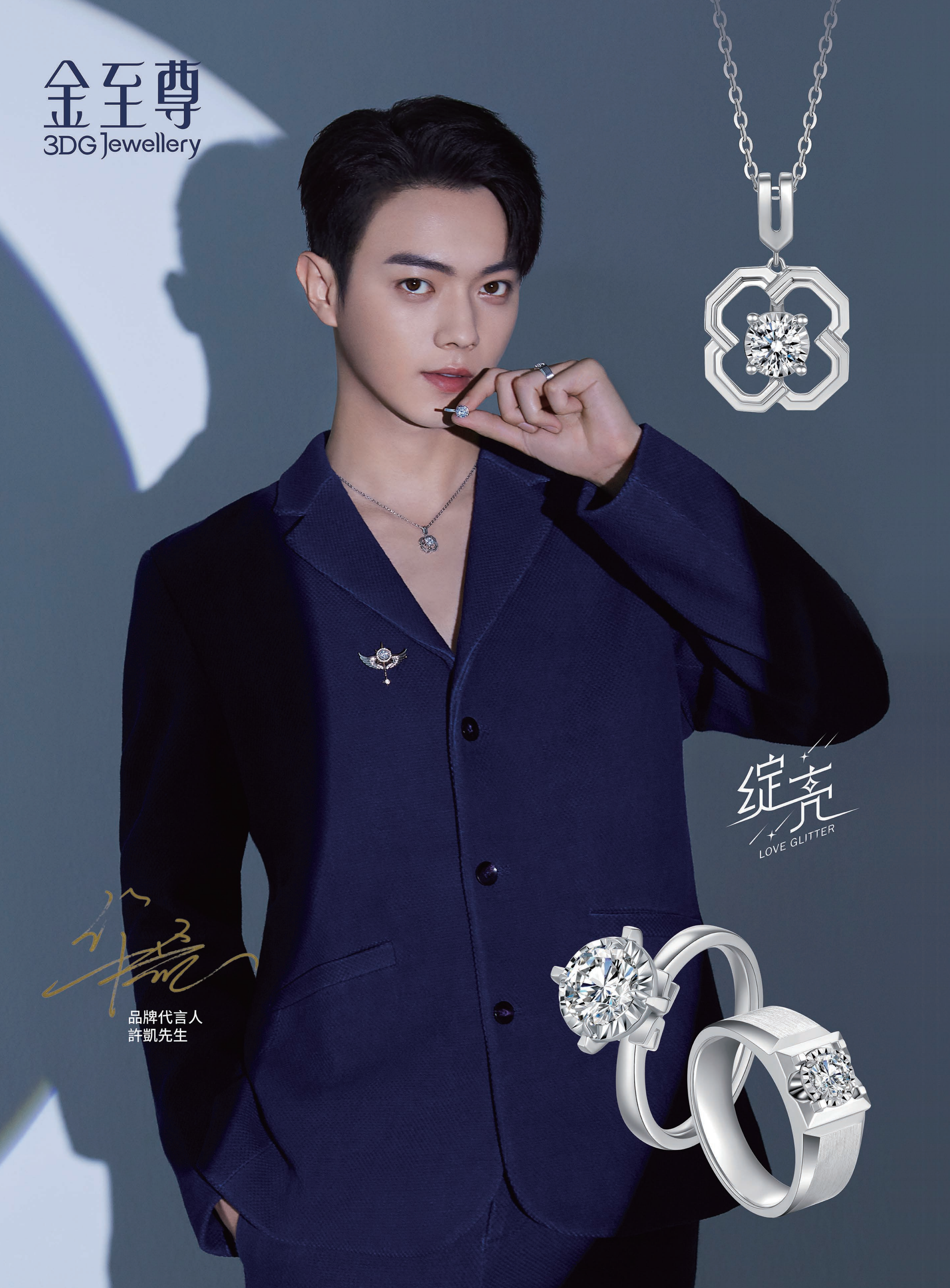
MAY 2023

Awarded the "OL Favourite Brands Award 2023" by JESSICA.



JUNE 2023

Awarded the "Elite Jewellery Brand Awards 2022" by Ming Pao Weekly.


金至尊
3DG Jewellery
绽亮
LOVE GLITTER
品牌代言人
許凱先生

Letter to the Shareholders

Dear shareholders,

On behalf of Hong Kong Resources Holdings Company Limited ("**HKRH**" or "**Company**" together with all its subsidiaries), I present to you the Group's results for the year ended 30 June 2023 (the "**Year**"). The Group will continue to promote our brand "3DG Jewellery 金至尊" to secure higher recognition and reputation and continue to seize the market opportunities in order to increase the revenue mix of both the Mainland China and Hong Kong markets.

In 2023, as the economy and society entirely returned to normal operation and the market demand has gradually improved. Being optional consumer goods, gold and jewellery products demonstrated a strong recovery trend. According to the National Bureau of Statistics of China, in the first half of 2023, the total retail sales of gold, silver and jewellery goods in China reached RMB168.9 billion, representing an increase of 17.50% as compared to the corresponding period of last year, much higher than the growth rate of 8.2% of the total retail sales of consumer goods in China. In addition, the boundary reopening of Hong Kong, Macau and the Mainland China in early 2023 stimulated an increase in the number of Mainland China visitors, boosting overall liquidity and business vitality, and the jewellery retail industry in Hong Kong and Macau also regained its growth momentum. According to the data from the Hong Kong Census and Statistics Department, the cumulative retail sales of jewellery, watches and precious gifts in the first five months of 2023 in Hong Kong amounted to HK$24.85 billion, representing an increase of 76.6% as compared to the corresponding period of last year, which was far higher than the 18.4% year-on-year growth rate of the overall retail sales of Hong Kong. Data from the Macau Statistics and Census Service shows that the sales of the watch and jewellery category in Macau increased by more than 80% year-on-year in the first half of 2023, and rose by 110% in the second quarter as compared with the corresponding period of last year, displaying an accelerated growth trend and far higher than the overall retail sales in Macau in the same period of 43.8% and 64.3%, respectively. Furthermore, the international and domestic gold prices fluctuated in an upward trend in the first half of the year, stimulating the consumption vitality of gold products and bringing steady growth to the revenue of gold and jewellery companies.

With the boundary reopening after the pandemic, the economic recovery and enthusiasm for consumption have promoted the increase of the consumption demand for jewellery. Leading domestic jewellery enterprises have continued to expand the number of terminal retail stores. Jewellery consumption is more "sensitive" to changes in the economic condition, especially at the stage of macroeconomic recovery, when the rebound of jewellery consumption can often run at an accelerated pace. With the improvement of the national economy, the overall national gold and jewellery consumption has proved a rapid recovery trend. According to the National Bureau of Statistics, gold and silver jewellery is the goods retail category with the fastest growth in the first half of 2023. The recovery of the terminal consumption scenario has brought about the regaining of the customer flow of the gold and jewellery industry stores. In addition, among the 18 key categories of goods under monitoring of the national online retailing of the Ministry of Commerce, 8 categories of goods recorded a growth rate of more than a double digit, of which the gold and silver jewellery category increased by a leading percentage of 33.5% year-on-year. At the same time, in recent years, consumer groups in the jewellery industry have gradually tended to choose gold and jewellery brands with higher brand awareness. Leading enterprises have gradually increased their market share and further improved their brand concentration through efficient integration of upstream and downstream resources and continuous expansion of the number of stores. According to the data of Euromonitor, during 2016-2022, the concentration of the domestic jewellery industry continued to move closer to the top enterprises, and CR10 increased from 17.2% to nearly 30%. The increase in the number of terminal stores of the major leading enterprise has accelerated, and the same-store sales growth together with the expansion of the number of stores released the performance elasticity.

On the other hand, the sustained and stable growth of residents' income coupled with increased hedging demand has promoted the investment and consumption demand for physical gold-related commodities, including jewellery. The risk aversion sentiment caused by international events such as the US banking crisis, the US government debt ceiling crisis and the ongoing conflict between Russia and Ukraine have prompted investors to switch to the gold market, triggering a sharp rise in the gold prices. Against the stable upward trend of gold prices over a long term, consumers have formed the expectation of buying gold for long-term holding to secure stable income, and thus investment demand has increased significantly. At the same time, in recent years, the price difference between the terminal gold price of gold jewellery products and the basis gold price has also risen steadily, realizing the effective positive support of gold price for the profitability of jewellery enterprises.

To sum up, the Group is optimistic about the future development and growth of the jewellery market, in particular including: (1) the post-pandemic recovery of the national economy, the continuous introduction of economic stimulus policies by the government and the partial recovery of demand from wedding ceremonies after the pandemic will jointly promote the continuous and steady rise of consumer demand; (2) the long-term stable upward trend of gold prices drives consumers' expectations of value guarantee and appreciation, and the demand for investment gold and jewellery is expected to continue to perform well; (3) with the upgrades of the gold and jewellery craftmanship, the productivity is enhanced to another level, and the consumption concept and the aesthetic level of consumers is improved, with the advanced craftmanship and new popular elements such as 3D hard gold, ancient gold, the Chinese design trend and intellectual property (IP) cooperation driving the demand for high value-added jewellery products; (4) the leading brands have strong development resilience under the support of the layout of furthering sales channels as well as product innovation and promotion, and we continue to be optimistic about the uptrend of deepening ability of the brand power and industry concentration of the leading enterprise in the domestic jewellery industry; (5) especially for Hong Kong and Macau, the subsequent tourism and logistics activities will continue to recover quickly, and will bring additional benefits to gold and jewellery consumption in addition to the local growth.

In addition to the above optimistic expectations of the Group for the jewellery business, the Group has also been exploring new business opportunities to diversify its revenue base. We look forward to achieving win-win results and 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 and Mainland China and providing new media marketing service in Mainland China.

In the second half of 2022, as COVID-19 cases spread across Mainland China and local pandemic containment measures were reintroduced, retail business were disrupted and foot traffic fell. The negative sentiment was amplified in December as the pandemic situation heightened and infection cases penetrated across Mainland China. China's economy inevitably slowed down resulting in sluggish retail sales during the period. On the positive side, the Hong Kong governments implemented consumption voucher schemes which helped to boost local economies, and following the vaccination drives and the lifting of restrictions, we saw Hong Kong's retail business start a post-COVID recovery.

RESULTS OF THE GROUP

The revenue of the Group for the year ended 30 June 2023 ("FY2023") amounted to approximately HK$804.3 million, representing a decrease of approximately 10.8% as compared with that of approximately HK$902.0 million for the year ended 30 June 2022 ("FY2022"). Approximately HK$530.5 million (approximately 66.0% of the revenue of the Group) was generated from the gold and jewellery retail business in Mainland China for FY2023, representing a decrease of approximately 17.9% as compared with that of approximately HK$646.5 million (approximately 71.7% of the revenue of the Group) generated from the same segment for FY2022. Similarly, approximately HK$88.0 million (approximately 10.9% of the revenue of the Group) was generated from the gold and jewellery retail business in Hong Kong and Macau for FY2023, representing an increase of approximately 23.2% as compared with that of approximately HK$71.4 million (approximately 7.9% of the revenue of the Group) generated from the same segment for FY2022. The New Media Marketing Business contributed approximately HK$183.8 million (approximately 22.9% of the total revenue of the Group) for FY2023, representing an increase of approximately 0.1% as compared with that of approximately HK$183.7 million (approximately 20.4% of the total revenue of the Group) generated from the same segment for FY2022. The decrease in revenue was mainly due to the decrease in retail and franchising revenue as there were resurgence of COVID-19 infected cases causing intermittent suspension of shops in various regions of Mainland China.

The gross profit of the Group decreased from approximately HK$196.2 million for FY2022 to approximately HK$171.6 million for FY2023, representing a decrease of approximately 12.5%. The decrease in gross profit was generally in line with the decrease in revenue as discussed above. The loss attributable to owners of the Company was approximately HK$89.7 million for FY2023, representing an increase from that of approximately HK$78.9 million for FY2022 by approximately HK$10.8 million. The increase in loss was primarily attributable to (i) the increase in finance cost by approximately HK$36.8 million, which was mainly due to the increase in bank borrowings and interest rates; (ii) the aforesaid decrease in gross profit by approximately HK$24.6 million for FY2023; and (iii) decrease in income tax credit by approximately HK$10.3 million, and partially offset by (i) the increase in loss attributable to non-controlling interests by approximately HK$28.1 million, which was mainly related to the loss of the gold and jewellery retail business, the operating subsidiaries of which are non-wholly owned subsidiaries of the Company; and (ii) the decrease in selling expenses by approximately HK$19.8 million (or 10.0%), which was generally in line with the decrease in revenue by approximately 10.8% as stated above.

Gold and Jewellery Retail business

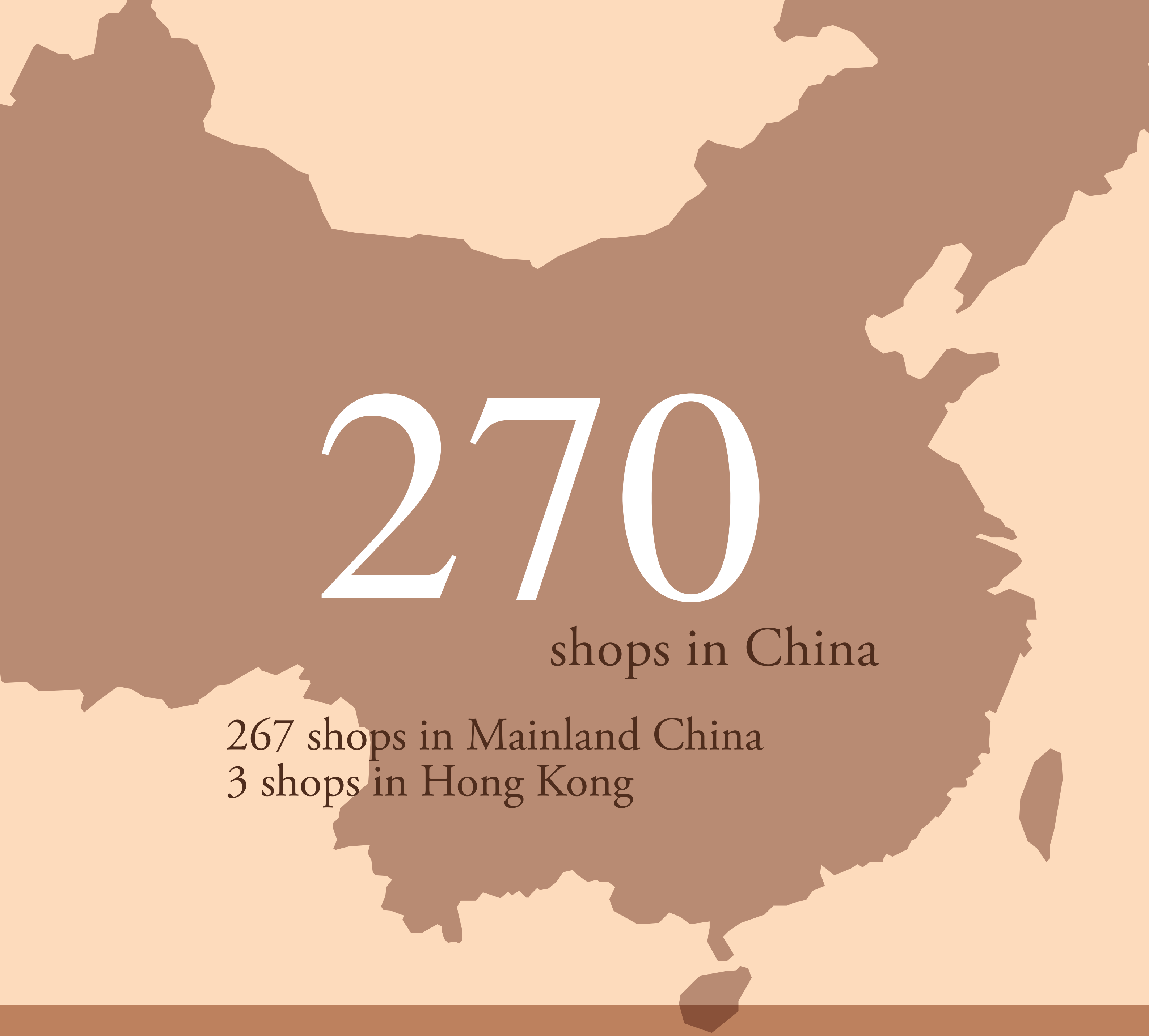
The retail revenue was approximately HK$592 million for FY2023, representing a decrease of 13% from approximately HK$680 million for FY2022. Retailing of gold and jewellery products accounted for 74% (2022: 75%) of total turnover. Mainland China continued to be the Group's major market, contributing 85% (2022: 89%) of retail sales for FY2023. The retail revenue from Mainland China decreased by 17% to approximately HK$504 million for FY2023 from approximately HK$608 million FY2022. The Group's retail revenue from Hong Kong and Macau market was approximately HK$88 million for FY2023, representing an increase of 23% from approximately HK$72 million for FY2022. The Group recorded a decline in overall same-store growth of 11% (2022: decline of 17%), of which same-store growth in Mainland China was a decline of 14% (2022: decline of 18%) and in Hong Kong and Macau was a growth of 5% (2022: growth of 42%).

As at 30 June 2023, the Group had 3 points-of-sale in Hong Kong and 267 points-of-sale in Mainland China under the brand name "3D-GOLD." Of the points-of-sale in Mainland China, 57 are self-operated points-of-sale and 210 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.



270

shops in China

267 shops in Mainland China
3 shops in Hong Kong

14	Anhui
12	Beijing
3	Fujian
1	Gansu
61	Guangdong
10	Guangxi
15	Hebei
1	Hainan
4	Henan
7	Heilongjiang
3	Hong Kong
20	Hubei
2	Hunan
9	Inner Mongolia
22	Jiangsu
1	Jiangxi
1	Jilin
7	Liaoning
5	Ningxia
4	Shanxi
2	Shaanxi
50	Shandong
12	Tianjin
3	Xinjiang
1	Zhejiang

金至尊
3D-GOLD

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:

- Classic Gold Collection
- "Golden Allure GA" Collection
- "Shimmer Beat" Collection
- "Love Glitter" Collection
- "Love Rhythm" Collection
- "Cool Love" Collection
- "Silver Shine" Collection
- "Love Lane" Collection
- Pure Gold Chinese Zodiac Collection
- "ULove" Wedding Collection
- "Peter Rabbit™" Collection
- "Starry Shimmer" Collection

Marketing and Promotion

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

- Organized a "New Product Launch (3rd quarter 2022)"
- Organized a "Brand Licensee Business Webinar (3rd quarter 2022)"
- Organized a "Brand Licensee Business Webinar (4th quarter 2022)"
- Organized a "New Product Launch (4th quarter 2022)"
- Organized a live stream cloud launch of "Golden Allure GA" collection at JD.com
- Organized a "Brand Licensee Business Webinar (1st quarter 2023)"

– Organized a “Brand Licensee Business Webinar (2nd quarter 2023)”

– Organized a “520 Blooming Love” Jewellery Roadshow at Hisense Plaza in Tianjin 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.

– Capital Weekly – Services Awards 2022 – Jewellery”

– “BOCHK Corporate Environmental Leadership Awards Programme 2021 – Eco Partner”

– “Marie Claire – Best Label Award 2021/2022 (Best Jewelry)”

– “Q-Mark Service Elite 2021” by Hong Kong Q-Mark Council

– “HKRMA Certificate of Outlet Anti-Epidemic Measures Recognition”

– “CAPITAL – ESG Awards 2022”

– “Hong Kong Retail Management Association – 2022 Quality Service Retailer of the Year of Flagship Stores – Gold Award”

– “Hong Kong Retail Management Association – 2022 Quality Service Retailer of the Year (Watch & Jewellery Category Award)”

– “TVB Weekly Brand Award 2022” by TVB Weekly

– “2022 Outstanding QTS Merchant – Gold Award (Jewellery & Watches)” by Hong Kong Tourism Board

– “Promoting Happiness Index Foundation Hong Kong – Happy Company”

– “OL Favourite Brands Award 2023” by JESSICA

– “Elite Jewellery Brand Awards 2022” by Ming Pao Weekly

New Media Marketing Service Business

The revenue from the new media marketing service business was approximately HK$184 million for FY2023, which is the same as the revenue of approximately HK$184 million for FY2022. New media marketing service accounted for 23% (2022: 20%) of total turnover. The revenue from the new media marketing service business does not grow as expectation for FY2023.

OUTLOOK

The COVID-19 pandemic has proved to be a catalyst to accelerate the shift to e-commerce sales. Building on the change in consumption pattern, the Group has co-operated with various renowned e-commerce platforms in Mainland China and Hong Kong and its e-commerce sales has a continuous and remarkable growth in turnover during the Year. The Group will continue to strengthen the collaboration with online marketplaces in order to capture the strong momentum of e-commerce sales. In addition, shifting towards from traditional business models to new media on the Internet has become a trend.

Going forward, the Group will continue to swiftly respond to the turbulent retail market by adopting various measure to save costs and minimise expenditures in order to enhance cost effectiveness and business efficiency.

FINAL DIVIDENDS

The Board has resolved not to declare any final dividend for the Year to the holders of ordinary shares of the Company.

FUNDS RAISING AND USE OF PROCEEDS

On 31 May 2021, the Company and Grace Fountain Holdings Limited (the "First Subscriber"), a company incorporated in the British Virgin Island wholly owned by Mr. Wang Chaoguang, entered into a subscription agreement (the "First Subscription Agreement"). Pursuant to the First Subscription Agreement, the First Subscriber agreed to subscribe for, and the Company agreed to (i) allot and issue 650,000,000 new ordinary shares (the "First Subscription Shares") of the Company at the subscription price of HK$0.05 per subscription share (the "First Subscription Price"); and (ii) issue the convertible bonds in the principal amount of HK$52,000,000 which may be converted into 800,000,000 new ordinary shares of the Company (the "First Conversion Shares") at the initial conversion price of HK$0.065 (the "First Conversion Price") per conversion share (collectively, the "First Subscription").

On 31 May 2021, the Company and Excel Horizon Investments Limited (the "Second Subscriber"), a company incorporated in the British Virgin Island wholly owned by Mr. Duan Guangzhi, entered into a subscription agreement (the "Second Subscription Agreement", together with the First Subscription Agreement, the "Subscription Agreements"). Pursuant to the Second Subscription Agreement, the Second Subscriber agreed to subscribe for, and the Company agreed to (i) allot and issue 500,000,000 new ordinary shares of the Company (the "Second Subscription Shares") at the subscription price of HK$0.05 per subscription share (the "Second Subscription Price", together with the First Subscription Price, the "Subscription Price"); and (ii) issue the convertible bonds in the principal amount of HK$32,500,000 which may be converted into 500,000,000 new ordinary shares of the Company (the "Second Conversion Shares") at the initial conversion price of HK$0.065 (the "Second Conversion Price", together with the First Conversion Price, the "Conversion Price") per conversion share (collectively, the "Second Subscription", and together with the First Subscription, the "Subscriptions").

The Subscription Price of HK$0.05 and the Conversion Price of HK$0.065, represented a discount of approximately 15.25% and a premium of approximately 10.17% over the closing price of HK$0.059 per share of the Company on the date of the Subscription Agreements, respectively. The Directors were of the view that the Subscriptions would provide a good opportunity for the Company to raise equity funding to repay its outstanding liabilities, improve its financial position, as well as expanding its capital base and shareholder base.

Upon completion of the Subscriptions, net proceeds of approximately HK$141 million (the "Net Proceeds") was raised, accordingly, the net Subscription Price and the net Conversion Price (based on the initial conversion price) were approximately HK$0.050 and HK$0.065, respectively. For further details of the Subscriptions, please refer to the Company's announcement dated 31 May 2021, 12 November 2021 and 6 December 2021, and the Company's circular dated 30 June 2021.

The application of the Net Proceeds is set out below:

	Unutilised amount of Net Proceeds as of 1 July 2022 *(HK$ million)*	Revised allocation of amount *(HK$ million)*	Actual utilised amount during the year ended 30 June 2023 *(HK$ million)*	Unutilised amount as of 30 June 2023 *(HK$ million)*
Repayment of indebtedness				
Repayment of deposits received	3.50	–	(3.50)	–
	3.50	(3.50)	–	–
General working capital	–	3.50	(3.50)	–
	3.50	–	(3.50)	–

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 2023, the Group had total cash and cash equivalents amounting to HK$936 million (2022: HK$882 million). The Group's net borrowing as at 30 June 2023 was HK$967 million (2022: HK$863 million), being total borrowing of HK$1,903 million (2022: HK$1,745 million) less pledged bank deposits and bank balances and cash of HK$936 million (2022: HK$882 million). After taking into account the gold inventories of HK$287 million (2022: HK$285 million), the Group's net borrowing as at 30 June 2023 was HK$680 million (2022: HK$578 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 30 June 2023, the Group has available unutilised revolving banking facilities of HK$42 million (2022: HK$587 million).

The current ratio of the Group as at 30 June 2023 was 78% (2022: 90%), calculated on the basis of current assets of HK$1,556 million (2022: HK$1,564 million) over current liabilities of HK$2,007 million (2022: HK$1,737 million). The gearing ratio was 121% (2022: 110%), calculated on the basis of the total liabilities of HK$2,151 million (2022: HK$1,965 million) over total assets of HK$1,780 million (2022 HK$1,786 million).

Capital Commitments

The Group has no capital commitments as at 30 June 2023 (2022: nil).

Pledged Assets

Pledged assets of the Group as at 30 June 2023 are set out in note 34.

Contingent Liabilities and Guarantee

As at 30 June 2023, the Company had corporate financial guarantee amounting to HK$1,075,000,000 (2022: HK$1,075,000,000) to banks in respect of 50% of the aggregated amount of banking facilities granted to its subsidiary. As at 30 June 2023, the banking facilities utilised by the subsidiary was HK$1,704,500,000 (2022: HK$1,563,500,000). As at 30 June 2023, a loss allowance of HK$19,218,000 (2022: HK$18,320,000) estimated under the expected credit loss model in respect of such corporate financial guarantee in the Company's statement of financial position was recognised whereas no financial impact on the consolidated financial statements. As at 30 June 2023 and 2022, save as disclosed above, the Group and the Company did not have any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

The Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Year.

Events after the reporting period

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

(a) On 28 July 2023, the Company, as borrower, entered into a loan agreement (the "Loan Agreement") with Luk Fook Finance Company Limited (the "LF Lender"), being a fellow subsidiary of a non-controlling shareholder of CGS, as lender, pursuant to which the loan in the principal amount of HK$10,000,000 at an interest rate of 15% per annum was made available by the lender to the Company. The repayment date shall be the date falling four months from the date of drawdown. On 28 July 2023, the Company drew down HK$10,000,000 to repay the MF Loan. Details of the above arrangement are disclosed in the Company's announcement dated 28 July 2023.

As security for the repayment obligation of the Company under the Loan Agreement, a debenture (the "Debenture") was executed by the Company in favour of the LF Lender on 28 July 2023. Pursuant to the Debenture, the Company agreed to charge as a first fixed and floating charge over all the undertaking, property and assets of the Company in favour of the LF Lender as security for the repayment and discharge of the secured obligations, i.e. all obligations and liabilities on the part of the Company under the Loan Agreement together with the interest accrued thereon thereunder.

(b) The Board has been informed by Mr. Li Ning ("Mr. Li"), a shareholder, the chairman of the Board, an executive Director and Mr. Wang Chaoguang ("Mr. Wang") the co-chairman of the Board and an executive Director that they and their respective controlled companies and Mr. Duan Guangzhi ("Mr. Duan") and his controlled company entered the following transactions:

(i) Luk Fook 3D Investment Holding Company Limited ("Luk Fook 3D"), a wholly-owned subsidiary of Luk Fook, Mr. Li and Eminent Rise Holdings Limited ("Eminent Rise"), a controlled corporation of Mr. Li, entered into a conditional sale and purchase agreement dated 28 July 2023 ("Eminent Rise Sale and Purchase Agreement") in relation to the conditional sale of 21,000,000 shares ("Shares") in the Company owned by Eminent Rise and Mr. Li to Luk Fook 3D for a total consideration of HK$14,809,900;

(ii) Luk Fook 3D, Mr. Wang and Grace Fountain Holdings Limited ("Grace Fountain"), a controlled corporation of Mr. Wang entered into a conditional sale and purchase agreement dated 28 July 2023 ("Grace Fountain Sale and Purchase Agreement") in relation to the conditional sale of 65,000,000 Shares and convertible bonds of the Company due on 12 November 2023 with principal amount of HK$52,000,000 owned by Grace Fountain to Luk Fook 3D for a total consideration of HK$56,000,000; and

(iii) Luk Fook 3D, Mr. Wang and Excel Horizon Investments Limited ("Excel Horizon"), a controlled corporation of Mr. Duan entered into a conditional sale and purchase agreement dated 28 July 2023 ("Excel Horizon Sale and Purchase Agreement") in relation to the conditional sale of the 50,000,000 Shares and convertible bonds of the Company due on 6 December 2023 with principal amount of HK$32,500,000 owned by Excel Horizon to Luk Fook 3D for a total consideration of HK$35,000,000.

(c) On 28 July 2023, the Company and Mr. Li entered into an agreement (the "Disposal Agreement"), pursuant to which the Company conditionally agreed to sell, and Mr. Li conditionally agreed to purchase, the entire issued share capital of Brand New Management Limited, for a total consideration of HK$9,000,000 (subject to adjustment). Brand New Management Limited is a direct wholly-owned subsidiary of the Company.

Details of the above transaction (b) and (c) are set out in the joint announcement made by Luk Fook and the Company on 28 July 2023. Up to the date of this report, the transaction (b) and (c) are yet to completed.

Subject to the fulfilment or waiver (where applicable) of all the conditions, completion of all the Eminent Rise Sale and Purchase Agreement, the Grace Fountain Sale and Purchase Agreement and the Excel Horizon Sale and Purchase Agreement shall take place simultaneously and also simultaneously with completion of the Disposal Agreement.

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 2023.

Employees and Remuneration Policy

As at 30 June 2023, the Group had 874 employees (2022: 946). 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 DISCLAIMER OF OPINION

The Company's view and position as to the disclaimer of opinion

The disclaimer of opinion (the "2023 Disclaimer Opinion") as disclosed in the independent auditor's report for the year ended 30 June 2023 is relating to the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Note 2 to the consolidated financial statements of the Group shows all conditions which indicate the existence of material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

The management of the Company (the "Management") believes that the Group can continue its operation on a going concern basis based on the following reasons:

On 28 July 2023, the Company, Luk Fook Holdings (International) Limited ("Luk Fook") and Luk Fook 3D Investment Holding Company Limited as offeror (the "Offeror") had entered into an agreement in relation to the acquisitions (the "Acquisitions") by the Offeror of in aggregate of approximately 50.49% shareholdings of the Company and the Company's convertible bonds (the "Convertible Bonds") in the aggregate principal sum of HK$91 million and the Offeror had made an unconditional mandatory cash offers (the "Offers") to acquire all issued shares of the Company. Details of the Acquisitions and the Offers are set out in the joint announcement (the "Joint Announcement") dated 28 July 2023. The Acquisitions and the Offers are not yet completed but its progress is on the right track. At the date of this report, the Management is not aware of any obstacles on the Acquisitions and the Offers, and the Acquisitions and the Offers are expected to be completed in or about mid-November 2023 and mid-December 2023 respectively.

Upon completion of the Acquisitions and the Offers, Luk Fook will become a controlling shareholder of the Company and the sole holder of the Convertible Bonds and China Gold Silver Group Company Limited ("CGS") will become an indirect wholly-owned subsidiary of Luk Fook. As disclosed in the Joint Announcement, Luk Fook is committed to optimising its business structure and strengthen its core businesses, with a focus on sourcing, designing, wholesaling, trademark licensing and retailing of a variety of gold and platinum jewellery and gem-set jewellery products. Luk Fook considers that the Acquisitions will turn CGS to be its indirect wholly-owned subsidiary and in turn consolidated Luk Fook's control as to the business and brand of "3DG Jewellery". The Acquisitions and, potentially, the Offers can unleash the potential of the brand of "3DG Jewellery" and synergize with the business of Luk Fook to optimize its business structure. The Management has been actively negotiating with Luk Fook to resolve the going concern issue of the Group. The above are the strong indications that if the completion of the Acquisitions could taken place, Luk Fook will help the Group to resolve its liquidity issue. Upon completion of the Acquisitions and the Offers, Luk Fook will provide financial support to CGS, such as using its internal resources or by way of new bank borrowing to refinance the existing bank and other borrowing of CGS.

Based on the annual results of Luk Fook for the year ended 31 March 2023, Luk Fook recorded a revenue of approximately HK$11,978 million and profit of approximately HK$1,285 million. The net current assets and net assets of Luk Fook was approximately HK$9,507 million and HK$12,221 million respectively as at 31 March 2023, which included cash and cash equivalents of HK$2,348 million. The financial resources of Luk Fook far exceeded the net deficit position of the Group of HK$371 million as at 30 June 2023. Therefore, the Management had a reasonable ground to believe that Luk Fook has sufficient financial resources to provide financial support to the operations of CGS when the Acquisitions and the Offers had been completed. Hence, the Group will be able to continue its operation on a going concern basis and the disclaimer opinion will be removed by next financial year ending 30 June 2024.

Though the Management is optimistic in obtaining the financial support from Luk Fook after the completion of the Acquisitions and the Offers, in view of lacking the written contractual agreement in respect of the financial support from Luk Fook as at the date of this report, the Company's independent auditors (the "Auditors") considered that the view of the management of the Company about receiving financial support from Luk Fook after the completion of the Acquisitions and the Offers is uncertain. The Auditors do not have adequate audit evidence to validate this assumption, which is material and pervasive to the consolidated financial statements of the Group, therefore the Auditors issued the 2023 Disclaimer Opinion.

The Management has been undertaking the following plans and measures (the "Action Plans") to address the 2023 Disclaimer Opinion: The Management is actively monitoring the progress of the Acquisitions and the Offers in order to keep the progress on the right track, and actively negotiating with Luk Fook for the financial support of the Group after the completion of the Acquisitions and the Offers by provision of sufficient financial support to the operation of CGS.

Impact of the 2023 Disclaimer Opinion on the Group's consolidated financial position

The Group has discussed with the Auditors and understood that the 2023 Disclaimer Opinion shall not have consequential impact on the Group's consolidated financial position for the year ending 30 June 2024 if the Action Plans are successfully executed to address the 2023 Disclaimer Opinion. As such, the Auditors expected that the 2023 Disclaimer Opinion will be removed from the Group's consolidated financial statements for the year ending 30 June 2024 upon successful execution of the Action Plans to address the 2023 Disclaimer Opinion. Therefore, subject to the successful execution of the Action Plans, the Management considered that the 2023 Disclaimer Opinion can be removed in the Group's consolidated financial statements for the year ending 30 June 2024.

Audit committee's view on the disclaimer of opinion

The audit committee of the Company (the "Audit Committee") had concurred with the 2023 Disclaimer Opinion and also reviewed the Management's position and basis on major judgmental areas and the Action Plans to address the 2023 Disclaimer Opinion. The Audit Committee is in agreement with the Management's position with respect to the 2023 Disclaimer Opinion and is of the view that the Group will be able to remove the 2023 Disclaimer Opinion for the financial year ending 30 June 2024.

Profiles of Directors

The profiles of Directors as at 29 September 2023, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Li Ning, aged 38, 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). Mr. Li also serves as a non-independent Director and the Chairman of the Board of 北京漢邦高科數字技術股份有限公司 (Beijing Hanbang Technology Corp.) (stock code: 300449.SZ), a company listed on the Shenzhen Stock Exchange, with effect from 17 September 2020 and 7 April 2021 respectively.

Mr. Wang Chaoguang, aged 51, was appointed as an executive Director and the co-chairman of the Company on 1 April 2021. He is currently an executive Director of 北京金匯鼎銘投資管理有限公司 (Beijing Jin Hui Ding Ming Investment Management Company Limited), a company principally engaged in the provision of asset management and corporate investment consultancy services and 山西中正達投資管理有限公司 (Shanxi Zhong Zheng Da Investment Management Company Limited), a company principally engaged in the provision of corporate investment consultancy services, and the funding of corporate projects. Mr. Wang serves as a non-independent Director of 北京漢邦高科數字技術股份有限公司 (Beijing Hanbang Technology Corp.) (stock code: 300449.SZ). Mr. Wang has around 10 years of experience in the asset management and corporate investment consultancy, and over 15 years of experience in the real estate development and investment business. He has extensive experience in corporate management and corporate investment. Mr. Wang also has experience in the information technology (IT) development and consultancy business.

NON-EXECUTIVE DIRECTOR

Mr. Hu Hongwei, aged 44, joined the Board as a non-executive Director on 29 March 2019. He is an attorney-at-law admitted to practice in China. He was graduated from Fudan University with a Bachelor of Laws (LLB) degree and Master of Laws (LLM) degree. He is currently a partner of a PRC law firm. He has extensive experience in legal aspects of cross-border investment, restructuring and mergers and acquisitions practice. Mr. Hu was designated as an independent non- executive director of Tenwow International Holdings Limited (previous stock code: 1219) ("Tenwow International") on 26 November 2018, following the company being put in provisional liquidation on 16 November 2018 (Cayman Islands time), and was re-designated as a non-executive director of Tenwow International on 12 July 2019 and resigned following the cancellation of its listing with effect from 13 November 2020. Mr. Hu severed as a member of the independent board committee of Tenwow International responsible for the forensic investigation on certain transactions conducted by Tenwow International before 2018, and was not involved in any disciplinary action made by the Stock Exchange against Tenwow International and its relevant directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu alias Loke Hoi Lam, aged 74, 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 Chartered Governance Institute. He is a life member of the Hong Kong Independent Non-Executive Directors Association.

Dr. Loke serves as an independent non-executive Director of China Silver Technology Holdings Limited (stock code: 515), Hang Sang (Siu Po) International Holding Company Limited (stock code: 3626), Hong Kong Resources Holdings Company Limited (stock code 2882), Matrix Holdings Limited (stock code: 1005) and Zhenro Properties Group Limited (stock code: 6158). He also serves as a non-executive director of VESON Holdings Limited (stock code: 1399).

He was an independent non-executive director of CIMC-TianDa Holdings Company Limited (now delisted, former stock code: 445) from 1 August 2006 to 31 January 2021, Zhong An Group Limited (stock code: 672) from 30 June 2009 to 10 June 2021, Chiho Environmental Group Limited (stock code: 976) from 23 June 2010 to 6 December 2021, Crazy Sports Group Limited (stock code: 82) from 17 May 2005 to 26 May 2022, Times Universal Group Holdings Limited (stock code: 2310) from 18 April 2016 to 1 September 2022, TradeGo FinTech Limited (stock code: 8017) from 29 August 2018 to 8 February 2023 and Tianjin Development Holdings Limited (stock code: 882) from 21 December 2012 to 21 June 2023. Save as mentioned, all these companies are listed on the main board of the Stock Exchange.

Dr. Fan, Anthony Ren Da, aged 63, was appointed as an independent non-executive Director on 30 September 2008. Dr. Fan holds a master degree of business administration from the United States and holds a PhD degree in Economics. 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.

Dr. Fan is an independent non-executive Director of Uni-President China Holdings Ltd. (Stock Code: 220), Citic Resources Holdings Limited (Stock Code: 1205), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), China Dili Group (formerly known as: Renhe Commercial Holdings Company Ltd.) (Stock Code: 1387), Technovator International Limited (Stock Code: 1206), China Development Bank International Investment Limited (Stock Code: 1062), Semiconductor Manufacturing International Corporation (Stock Code: 981) and Neo-Neon Holdings Limited (Stock Code: 1868). Dr. Fan was an independent non-executive Director of Raymond Industrial Limited (Stock Code: 229) from 1994 to 21 May 2021. Dr. Fan has been re-designated from an independent non-executive Director of Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) to an executive Director on 18 May 2021. Dr. Fan also serves as a non-executive director of Hilong Holding Limited (stock code: 1623). All of these companies are listed on the main board of the Stock Exchange.

Mr. Chan Kim Sun, aged 42, was appointed as an independent non-executive Director on 19 February 2021. He is currently a non-practising member of the Hong Kong Institute of Certified Public Accountants and is a fellow of the Association of Chartered Certified Accountants. Mr. Chan graduated from The Hong Kong University of Science and Technology with a bachelor's degree in business administration majoring in accounting and finance in November 2003.

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

Mr. Chan was an independent non-executive director of Vision International Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8107) from 16 April 2018 to 15 September 2023.

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 complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the Year, except for the following deviations:

CG Code A.2.1 (which has been renumbered as C.2.1 since 1 January 2022) 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. 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 (which has been deleted since 1 January 2022) stipulates that the non-executive directors should be appointed for a specific term, subject to re-election. The Company has not fixed the term of appointment for the non-executive Director, Mr. Hu Hongwei and the independent non-executive Directors, Dr. Loke Yu alias Loke Hoi Lam and Dr. Fan, Anthony Ren Da. However, all the non-executive Director and independent non-executive Directors are subject to retirement by rotation at least every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. All Directors 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 21 to 23 of this annual report. During the Year, five 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	5/5	1/1	1/1
Mr. Wang Chaoguang	5/5	1/1	1/1
Ms. Dai Wei *(resigned on 23 September 2022)*	1/1	N/A	N/A
Non-executive Director			
Mr. Hu Hongwei	5/5	1/1	1/1
Independent Non-executive Directors			
Dr. Loke Yu alias Loke Hoi Lam	5/5	1/1	1/1
Dr. Fan, Anthony Ren Da	5/5	1/1	1/1
Mr. Chan Kim Sun	5/5	1/1	1/1

The chairman met with the independent non-executive Directors without other executive Directors present to understand their concerns and to discuss pertinent issues during the year.

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 (which has been renumbered as C.1.4 since 1 January 2022) regarding continuous professional development. The Company has received from each of the Directors, namely, Mr. Li Ning, Mr. Wang Chaoguang, Mr. Hu Hongwei, Dr. Loke Yu alias Loke Hoi Lam, Dr. Fan, Anthony Ren Da and Mr. Chan Kim Sun, a written record of his or her continuous professional development which included attendance of training courses or seminars and/or reading of relevant materials on topics related to corporate governance and regulatory matters.

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) Dr. Loke Yu alias Loke Hoi Lam ceased to be an independent non-executive Director of TradeGo Fintech Limited (stock code: 8017) and Tianjin Development Holdings Limited (stock code: 882) on 8 February 2023 and 21 June 2023 respectively.

(2) Mr. Chan Kim Sun ceased to be an independent non-executive Director of Vision International Holdings Limited (stock code: 8107) on 15 September 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

DIVERSITY OF THE BOARD

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

BOARD COMMITTEES

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

Remuneration Committee

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

Remuneration Committee	**Attendance/Number of meeting**
Independent Non-executive Directors	
Mr. Chan Kim Sun, Chairman	1/1
Dr. Loke Yu alias Loke Hoi Lam	1/1
Dr. Fan, Anthony Ren Da	1/1

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

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

Nomination Committee

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

Nomination Committee	**Attendance/Number of meeting**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam	1/1
Dr. Fan, Anthony Ren Da	1/1
Mr. Chan Kim Sun	1/1
Executive Director	
Mr. Li Ning, Chairman	1/1

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

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

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

Nomination Policy

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

Audit Committee

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

Audit Committee	**Attendance/Number of meetings**
Independent Non-executive Directors	
Dr. Loke Yu alias Loke Hoi Lam, Chairman	2/2
Dr. Fan, Anthony Ren Da	2/2
Mr. Chan Kim Sun	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 control consultants 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 2023 and the Group's interim report for the 6 months ended 31 December 2022 with the external auditors;

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

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

(iv) reviewed the internal control findings and recommendations of the internal control consultants; and

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

AUDITOR'S REMUNERATION

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

Auditor	**Services rendered**	**Fees paid/payable**
		HK$
Crowe (HK) CPA Limited	Audit services	2,420,000
Crowe (HK) CPA Limited	Non-audit services	200,000

The above non-audit services mainly included the professional services rendered in connection with interim financial statements and continuing connected transactions.

FINANCIAL REPORTING

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

The Group's internal control consultants 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 review over internal control consultants operations of the Group, under a rotational cycle. Internal control review reports with findings and recommendations 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. Chan So Fun ("Ms. Chan") has been appointed as the company secretary of the Company with effect from 28 June 2023 following the resignation of Ms. Ho Suet Man Stella from the same position. During the year ended 30 June 2023, Ms. Chan has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules. As the Company Secretary. Ms. Chan has been reporting to the chairman of the Company. All members of the Board can have access to her advice and services.

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 and put forward proposals at general meetings to the Board by post to Room 2306, 23/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong to the attention of the Board of Directors with effect from 6 October 2022.

MEMORANDUM AND BYE-LAWS OF THE COMPANY

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

Hong Kong Resources Holdings Company Limited (the "Company", together with its subsidiaries (the "Group" or "We"), hereby presents this Environment, Social and Governance ("ESG") Report (the "Report") for the year ended 30 June 2023.

This Report illustrates on various policies and measures carried out by the Group in fully implementing the principle of sustainable development in a transparent and open manner during the year. The Report covers the management policy, mechanisms and measures for the environmental protection, emission reduction, safe workplace, staff training and drills, supply chain management and community investment and engagement, with a view to enhancing the confidence and understanding of the stakeholders toward the Group.

REPORTING STANDARD AND SCOPE

This Report covers the reporting period from 1 July 2022 to 30 June 2023 (the "Reporting Period") and makes relevant disclosures in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "HKEx").

During the Reporting Period, the Group was principally engaged in the provision of trademark licensing and retailing for gold and jewellery products in Hong Kong and Mainland China and providing new media marketing service in Mainland China. Focusing on the core and significant business units within the Group, the scope of this report covers the business operations of (i) the offices in Hong Kong and Mainland China; (ii) self-operated point of sales in Hong Kong and Mainland China for gold and jewellery products; and (iii) the office of new media marketing service in Mainland China.

REPORTING PRINCIPLES

The Group has applied the principles of "Materiality", "Quantitative", "Balance" and "Consistency" in accordance with the ESG Reporting Guide in the preparation of this Report. Details of application of these reporting principals are illustrated below:

Materiality

We engaged with our stakeholders to identify and assess ESG issues that matter most from their perspectives. We assess the materiality of these ESG issues based on the corresponding risks posed on the sustainability on the Group's business. A materiality assessment was conducted to determine material ESG issues with results approved by the Board of Directors (the "Board"). More details can be found in the sections "STAKEHOLDERS ENGAGEMENT" and "MATERIALITY ASSESSMENTS".

Quantitative

We disclosed information in relation to the relevant standards, methodologies, assumptions and/or calculation tools, and source of conversion factors used, for reporting the environmental and social key performance indicators ("KPIs"). Quantitative information is provided with narrative and comparative figures, where possible.

Consistency

We applied consistent reporting and calculation methodologies to prepare and present ESG data in the Report, unless otherwise specified, to allow for meaningful comparisons. The material changes in the methodologies are set out in the relevant sections in detail. Proper explanation of any changes of calculation methodologies that may affect the comparison with previous reports have been added in the Report.

Balance

The Report provides complete, fair, clear, comparable and objective overview of the Group's ESG policies and performance for stakeholders with an unbiased picture.

FEEDBACK

Stakeholder's opinion is considered valuable and crucial to the Group's business and sustainable development. Should you have any opinion on this Report or our sustainable development performance, please contact us at info@hkrh.hk.

GOVERNANCE STRUCTURE

The Group understands that ESG are crucial to the sustainable development of an enterprise. The Group has established an ESG management framework with clearly defined responsibilities to ensure top-down and effective implementation of the ESG policies and measures. The Board is responsible for overseeing the effective implementation of the Group's ESG strategy and reporting, supervising and leading the senior management and relevant departments and business units in the design, implementation and monitoring of the risk management and internal control systems to address the ESG-related issues, and regularly reviewing the progress of relevant performance and objectives.

The Group has established an ESG governance structure and implemented the concept of sustainable development in its daily work. The structure consists of three parts:

(i) The decision-making level (the Board of Directors);

(ii) The organisation level (the management); and

(iii) The execution level (the departments and the business units of the Group), which are responsible for different ESG functions and work, respectively.

The Board is responsible for:

- Taking up the overall responsibility over the Group's ESG strategy and reporting;
- Developing the ESG management framework, approach, strategy, priorities and objectives;
- Overseeing the Group's overall ESG risks, sustainable initiatives and its relevant goals and targets, and reviewing the relevant progress and performance;
- Ensuring that appropriate and effective ESG risk management and internal control systems are in place related to ESG matters;
- Delegating the ESG-related responsibilities to senior management and departments;
- Supervising and leading the management, departments and business units to conduct the ESG-related work; and
- Reviewing and approving the ESG Report.

The Senior Management is responsible for:

- Developing and implementing relevant policies and measures in accordance with the ESG approach, strategy, priorities and objectives set by the Board;
- Assessing and determining the ESG-related progress, performance, risks and opportunities, and reporting to the Board;
- Providing guidance on the implementation of the ESG policies and measures to the departments and business units of the Group;
- Being delegated with authority from the Board to review and monitor the Group's ESG policies and practices to ensure compliance with the relevant legal and regulatory requirements;
- Reporting the ESG-related work to the Board; and
- Preparing the ESG Report and submitting it to the Board for approval.

The departments and the business units of the Group are responsible for:

- Coordinating and implementing specific ESG policies, strategy, objectives and measures;
- Integrating and collecting information and data relating to the Group's ESG performance;
- Reporting the ESG-related work to the management and make recommendations where appropriate;
- Coordinating with senior management in preparing the ESG Report; and
- Collecting feedback from stakeholders.

APPROACH AND STRATEGY

The Group adopt a long-term view on sustainability in the context of the investments and involvements of the Group in the shared environment. While keeping abreast of the ever-changing sustainability relevant business practices of the business spaces of the Group, the Group adopt a vigilant yet coherent approach in aligning the sustainability directives of the Group. the Group had identified decarbonization and digitalization as the core drivers of the strategic alignment effort of the Group.

In additions, the Board implemented a clear and prioritise ESG management approach and initiative that is closely aligned with the Company's overall business strategy. The management are responsible for the formulation of policies and guidelines, and the allocation of budgets for the ESG activities and projects in achieving sustainable development. Our vision is to promote sustainable economies, build a solid foundation and a bright future for the Group and enhance the value for business partners of the Group and shareholders of the Company.

OUR GOAL AND PROGRESS REVIEW

We set environmental goals and social goals for the sustainability of the Group's business, our goals are as follows:

- While promoting the steady growth of our business, the Group regards social and environmental responsibility as one of the core values in its business operations;
- Key environmental concern of the Group is the consumption of energy and corresponding greenhouse gas ("GHG") emissions during the provision of (i) trademark licensing and retailing for gold and jewellery products; and (ii) new media marketing services;
- The goals and targets of the Group in relation to environmental issues are to maintain stable energy efficiency;
- Key social concern of the Group is safety and well-being of employees as they are the foundation of business growth; and
- The goals and targets of the Group related to social issues is to maintain safe working environment and maintain close relationship with employees:

We regularly update the Board on the achievement of KPI goals which include the environmental goals and the social goals. The senior management determines and reviews the progress of ESG objective and provide feedback through regular reports provided by the relevant business units and report to the Board. The Board reviews the achievement of objectives and the progress and effectiveness of ESG related matters. For the meanwhile, the Board continues to monitor the risks posed to the Group from these material ESG-related issues. As the business continues to develop, the Board has been paying attention to new ESG-related issues and will continue to oversee ESG-related work to keep abreast of the latest disclosure requirements of the ESG Report Guide of the HKEx.

The Group is committed to undertake ESG responsibilities and improving our ESG performance by upholding good corporate governance standards, implementing environmental friendly measures, responding to stakeholders' expectation with practical actions and promoting the sustainable development of the Company.

STAKEHOLDERS ENGAGEMENT

The Group recognizes the expectation and feedback from our stakeholders are vital for sustainable development of the Group. The Group values the intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. Stakeholder engagement is the process by which an organisation involves parties who may be affected by the decision it makes or can influence the implementation of its decisions. Therefore, the Group pays close attention to stakeholders' demands and has established communication channels to collect and response to stakeholders' concerns.

The Group actively engages with stakeholders to identify ESG issues that need to be addressed. The Group has also identified key stakeholders that are important to the business and has engaged in open and regular communication with our stakeholders including Government and Regulatory Authorities, Shareholders and Investors, Customers, Suppliers, Employees and Communities. During the Reporting Period, the Group continued to understand the key ESG concerns of our stakeholders through various communication channels and platforms, such as communication meetings and corporate websites etc., to promote and adjust the strategy of sustainable development.

The stakeholder's expectation and concerns has been taken into consideration by utilizing diversified communication channels as shown below:

Stakeholders	Communication Channels	Expectation and Concerns
Internal key stakeholders		
Employees	• Employee performance evaluation • On-the-job training • Internal email • Staff handbook	• Labour rights • Career Development • Remuneration and benefits • Occupational health and safety • Respecting all employees and ensuring fair treatment
External key stakeholders		
Government/Regulatory Authorisation	• Announcement and other regulatory reports • Statutory filings and notification	• Compliance with local laws and regulation • Support for local economic growth • Regular information reporting • Pay tax on time, and return contributing to the society
Stakeholder/investors	• Annual General Meetings and other shareholders' meetings • Announcement and circulars on HKEX website • Interim and Annual Report • Corporate website	• Quality of products and service • Value of service • Timely delivery • Corporate reputation • Customer data and privacy protection
Suppliers	• Procurement process • Exhibition and Industry events • Engagement and cooperation • Supplier meeting and conference • Regular assessment	• Stake demand • Good relationship with Company • Corporate reputation • Fair competition/equal rivalry
Community	• ESG Report • Announcements • Company website • Charitable activities • Staff volunteering activities	• Environmental protection • Community contribution • Economic development

MATERIALITY ASSESSMENTS

Materiality assessment was conducted in accordance with the expectation and feedback from the key stakeholders. We use the following process to identify, prioritise and manage material ESG-related issues:

Step 1: identify the ESG-related issues

- The issues are identified based on the disclosure requirements of the ESG Reporting Guides in Appendix 27 to the Listing Rules, the business characteristics of the Group and the ESG report of the industry peers.

Step 2: prioritise the ESG-related issues

- The Group collects feedback from the stakeholders in daily operation.
- The Group identifies and priorities the ESG-related issues which are considered to have significant impacts and materiality on stakeholders and the development of the Group's business.
- All the identified ESG-related issues will be prioritised based on the feedback from key stakeholders collected through the communication channels as mentioned in the "STAKEHOLDERS ENGAGEMENT" section.

Step 3: determine material ESG-related issues

- The issues with higher priority and importance was identified as material issues which will be determined and reviewed by management.

The material assessment helps to ensure that the Group's business objectives and development direction satisfy with the stakeholders' expectations and requirements. Based on the result of material assessment, the management of the Group priorities customer satisfaction, product quality and responsibility, occupational health and safety, employee training and development, use of resources and GHG emission as material issues which affect the long-term sustainability of the Group. Effective internal control systems on these aspects are reinforced with the aim of enhancing efficiency of operations and generating the environmental and social benefits to our stakeholders. The group will pay more attention to the above areas and focus on strengthening the discussion of material issues, in order to respond to the concerns of stakeholders, key initiatives and concerns of Group and stakeholders are summarized in the following sections.

Materiality

Importance to Stakeholders / Importance to the group	Low	Medium	High
High	◆ Anti-corruption and anti-fraud ✧ Remunerations and benefits	◆ Customers satisfaction ◆ Customers privacy protection ✧ Employees training and development	◆ Economic performance ◆ Compliance with laws and regulations ◆ Product responsibility ✧ Employee right ✧ Qualifications and professional conduct
Medium	✧ Community contribution	➢ Use of Resources ◆ Supplies management ✧ Occupational health and workplace safety	➢ Emission ➢ Energy consumption and efficiency
Low	➢ Waste Management ✧ Prevention child and forced labor	✧ Attention to Community	➢ Environment awareness of employees ➢ Impact of climate change

➢ Environmental ✧ Employee ◆ Operation

A. ENVIRONMENTAL

Environmental targets

The Group is committed to transforming into a low-carbon economy and conserving resources in its business activities, including the use of energy, water and paper. We aim to reduce the use of resources and the consequential carbon footprint through the adoption of various green initiatives. The Group announced its emission and resource consumption targets that need to be achieved in Year 2025 by using Year 2020 as the baseline year for our environmental KPIs, the Group planned to:

- 20% Reduction in GHG emission intensity
- 20% Reduction in energy consumption intensity
- 20% Reduction in water consumption intensity

Environmental Protection Policies

Protecting the environment is one of the Group's key concerns. The Group commits to meet the requirements as stipulated in the applicable national/local environmental laws and regulations. Since the Group has taken into consideration of environmental sustainability in its business operations, the management of the Group will monitor its environmental performance regularly. The policies and measures for energy and waste management have been established and dedicated by the Group to achieve the emission targets as mentioned above.

A1 Emissions

Despite that the Group's operation does not have any mass emissions or significant impact to the environment, the Group is committed to minimize our environmental impacts by responsibly managing our business, reducing our carbon footprint and using resources effectively. Hence the Group has established relevant emissions reduction and energy saving initiatives to manage the emission and maintain green operations and is committed to operating in a sustainable manner through mitigating emissions, improving energy efficiency and reducing its impacts on the environment.

Our Group compliance with the following significant rules and regulations in relation to environmental protection:

- Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong)
- Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong)
- Public Health and Municipal Services Ordinance (Cap. 132 of the Laws of Hong Kong)
- Environmental Protection Law of the People's Republic of China
- Atmospheric Pollution Prevention and Control Law of the People's Republic of China

The Group recognises that pollution prevention and resource conservation are key to combating climate change, and thus effectively integrates these concepts into its business decision making.

Air emissions

The Group concerns about the use of fuel that could have an adverse effect on the environment.

The air-emissions of the Group were primarily generated from the use of the vehicles for operations. Enhancing fuel efficiency is a key focus of the Group's environmental protection efforts plays a key part in driving the Group's sustainable development. The Group encourages staff to make a good use of public transportation and use conference calls to reduce the frequency of business travel and reduce the usage of vehicles.

A summary on the relevant air emissions related KPIs of the Group for the year ended 30 June 2023 (with Year 2022 comparative data) is disclosed as follows:

Types of Emissions	**Unit**	**Emission**		**Emission intensity (per million dollar of revenue)**	
		2023	2022	**2023**	2022
Nitrogen oxides ("NOx")	g	**3,078**	2,228	**3.83**	2.47
Particulate matter ("PM")	g	**227**	164	**0.28**	0.18
Sulphur oxides ("SOx")	g	**79**	53	**0.10**	0.06

Greenhouse gases emissions

The business operation of the Group produced certain degree of emissions, most of which were generated form retail stores. During the Year, the Group generates minimal GHG emissions from the vehicle use for operations and purchased electricity for business operation. The indirect GHG emissions, which are generated from daily electricity power consumption, is one of the main emissions and main sources of the carbon footprint of the Group. The carbon footprint of the Group will be monitored to find out the impact of the Group's daily operation on the environment.

A summary on the relevant emissions related KPIs for the year ended 30 June 2023 (with 2022 comparative data) is disclosed as follows:

Types of Emissions	Unit	Emission		Emission intensity (per million dollar of revenue)	
		2023	2022	**2023**	2022
Scope 1 **Direct Emission** Carbon dioxide ("CO_2") generated from: – Fuel combustion	tonne of CO_2e	**13**	10	**0.02**	0.01
Scope 2 **Indirect Emission** Carbon dioxide ("CO_2") generated from: – Purchased electricity	tonne of CO_2e	**707**	420	**0.88**	0.47
Total emissions	tonne of CO_2e	**720**	430	**0.90**	0.48

During the Reporting Period, the total GHG emissions was higher than that of in 2022 due to the increase in fuel and electricity consumption. The Group endeavors to improve energy efficiency and reduce energy consumption by adopting energy saving initiatives in the Section "Use of resources" in this Report.

Hazardous and non-hazardous waste

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. The non-hazardous wastes were mainly attributed to the discarded packaging materials, domestic wastes, papers, paper bags and gift boxes generated during our operation, which were insignificant and does not have material impacts to the environment. The Group is committed to reduce the amount of waste produced and remain not to generate hazardous waste under existing operations. The Group's target is not to increase the generating of non-hazardous waste by the end of next reporting year as compared to the Year 2023. Please refer to the subsection headed "Waste Management" below for the policies the group adopted to reduce waste.

A responsible waste management policy is adopted and principles of reducing, reuse, and recycle are applied by the Group to minimize waste generation, including waste avoidance, reducing waste from its source and reuse, recycling and responsible disposal of waste. Employees are encouraged to reduce the production of waste.

A2 Use of resources

The use of resources in the course of the Group's business operations mainly includes the consumption of energy, water, petrol, papers and packaging material. Our Group is committed to conserving resources in our business activities, including use of energy, water and paper during the daily operation. Our goal is to stable the energy and water consumption level. We aim to reduce the use of resources and corresponding carbon footprint through adoption of various green initiatives. Green awareness is promoted among employees in order to drive their behavioral changes.

Green measures on deploying energy efficient equipment and adoption of resource conserving process are implemented in pursuing our commitment. The following are the key measures to improve the efficiency of resource use.

Reducing Electricity Consumption

Energy consumption is one of the major use of resources by the Group. The Group has always aimed at efficient use of resources by requesting all our employees to comply with the energy-saving policy of the Group.

At the same time, the Group have implemented the following energy-saving and energy-efficient measures at our offices as follows:

- Switch off the lightings and electrical appliances when not in use;
- Use more environmental-friendly and efficient energy-saving electrical appliances;
- Use LED tubes in offices and shops;
- Deploy natural light as much as possible on office floors;
- Clean and maintain office equipment (such as air-conditioners) regularly to maintain energy efficiency; and
- Adjust the indoor temperature to an average of between 24 and 26 degrees Celsius.

Water Conservation

As fresh water is one of the precious natural resources, the Group is committed to protect the water resource and encourage all employees to develop water-saving habits as well as prevent excessive use of detergents for reducing rinsing water.

Reducing Paper Consumption

Waste management and waste reduction are important strategies, which help conserve valuable resources. In order to reduce paper consumption, the Group has developed the following measures:

- Print on both sides of the paper;
- Use both sides of the paper for writing;
- Place waste paper recycling bin next to the printer to facilitate collection or reuse;

- Encourage the use of electronic communication channels;
- Disseminate internal communication through email or implement electronic office systems;
- Reuse old stationery such as folders and envelopes; and
- Reuse packaging boxes.

Reducing Packaging Material

The Group uses reusable and decomposable paper bags for packaging. Packaging is an inevitable part in the retail business, in which contribute to a significant paper consumption. The Group encouraged the use of eco-friendly reusable bags and offered customers an incentive for using an eco-friendly reusable bag instead of plastic or paper. The Group will continue to study possible ways to avoid unnecessary use of packaging material and recycle whenever appropriate.

A summary on the relevant use of resources related KPIs of the Group for the year ended 30 June 2023 (with Year 2022 comparative data) is disclosed as follows:

Resources utilisation	Unit	Consumption		Consumption intensity (per million dollar of revenue)	
		2023	2022	**2023**	2022
Electricity	kWh	**928,972**	795,169	**1,155**	882
Water	m^3	**958**	765	**1.2**	0.8
Petrol	L	**5,341**	3,613	**6.6**	4.0
Paper	kg	**3,550**	3,638	**4.4**	4.0
Packaging material					
Paper bag	kg	**3,103**	1,489	**3.9**	1.7
Gift box	kg	**16,048**	9,413	**20.0**	10.4
Total	kg	**19,151**	10,902	**23.9**	12.1

Energy consumption

During the Reporting Period, the use of electricity was the major source of energy consumption of the Group which contributed to the total energy consumption of approximately 928,972 kWh and its intensity was approximately 1,155 kWh/million of revenue (2022: 795,169 kWh and its intensity was 882 kWh/million of revenue).

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. Since the resumption of business activities from Covid-19, the opening hours of retail shops return to normal and the energy consumption chance increase during the period.

Water consumption

During the Reporting Period, all water consumed by the Group was for office general consumption purpose and the Group has not encountered any issue in sourcing water that is fit for purpose. The water consumption volume of the Group was approximately 958 m^3 and its intensity was approximately 1.2 m^3/million of revenue (2022: 765 m^3 and its intensity was 0.8 m^3/million of revenue).

The Group will continue to encourage our employees to conserve water although we require to increase the frequency of cleaning and standard of hygiene cleaning even after the COVID-19 pandemic.

Paper consumption

During the Reporting Period, the total amount of paper consumption of the Group was approximately 3,550 kg and its intensity was approximately 4.4 kg/million of revenue (2022: 3,638 kg and its intensity was 4 kg/million of revenue).

Paper consumption figures decrease was due to paper ordered by mainland office under gold and jewellery business had a decrease for the year ended 30 June 2023. The Group continue to encourage staff to recycle paper to reduce paper consumption.

Packaging material consumption

During the Report Period, the total amount of packaging material consumed by the Group was approximately 19,151 kg and its intensity was approximately 23.9 kg/million of revenue (2022: 10,902 kg and its intensity was 12.1 kg/million of revenue).

Packaging is an inevitable part in the retail business, gift box remain the biggest consumption for packaging material. The Group will find the possible ways to avoid undue and unnecessary use of packaging materials and consider recycle whenever appropriate.

A3 The environment and natural resources

The Group is aware that operations would have certain impact on the environment and natural resources. Due to the nature of the business, the Group does not have any direct and significant impacts on the environment and natural resources in the course of our operations.

The Group manages and minimises the impact that it may cause to the environment and natural resources directly or indirectly, through the following policies:

- Ensure its business operations comply with the environmental laws in the PRC and Hong Kong;
- Strengthen the awareness of employees on environmental protection through training and means of internal communications; and
- Monitor its daily business operations in conserving energy and water to reduce direct impact on the environment.

To improve energy consumption, we have implemented a number of relevant and effective resources utilisation and emission reduction measures, including measures on electricity, water and paper consumption. For further details, please refer to the section headed "Use of Resources" above.

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 make use of best practices across their functions and to develop and implement better strategies for monitoring of resources consumption data and evaluate KPIs performance as to enhance the contributions to environmental sustainability through good environmental practices.

The Group is committed to monitoring further possible environmental impacts of its business operations, and to implementing measures to control any adverse impacts, in order to generate long-term values for the stakeholders as well as the communities where the Group operates.

A4 Climate change

The Group understands that climate change is a global issue that affects everyone around the world. We are aware of climate change which may lead to extreme weather and might pose potential risks to the Group's business and the impacts on the sustainable development of our business operations.

The Group has incorporated ESG related risks, such as climate risk, into the Group's risk management system to identify and mitigate the risks that may affect the Group. The Group pays attention to the trend of climate change and actively assesses the climate risks posed to the business operations. The Group has adopted the measures in response to the assessed risks, including both physical risks and transition risks, arising from the climate change.

The Group will actively respond to the relevant policies which imposed by local governments in response to the global trend of low-carbon sustainable development, make business contingency plans and respond appropriately to extreme weather caused by climate change. In addition, the Group has put in place disaster preparedness plans to ensure the safety of our employees and to enhance our overall resilience to natural disasters and to ensure that we can deal with natural disaster emergencies in a timely and efficient manner and prevent climate crises head-on.

The impact of climate change has been mitigated by various measures implemented in the operations. The Group will continue to monitor the situation and update our management approach to climate change.

B SOCIAL

B1 Employment

Respecting human rights and labour rights has been an integral part of the Group's approach to sustainability. The Group strongly believes that its staff is an invaluable asset to the Group and is significant to the Group's business. Therefore, the Group provides an equal and fair working environment and 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. 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.

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.

The Group complied with all the relevant employment laws and regulations, such as the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as well as the "Labour Law of the PRC" and the "Labour Contract Law of the PRC". During the Report Period, the Group had no reported incidents of non-compliance with employment regulations.

Remuneration

The Group maintains a policy of paying competitive remuneration. Remuneration of employees which included salary and discretionary performance bonus is decided with reference to the financial results of the Group, the market level as well as individual performance and contributions. Remuneration packages including performance bonuses are reviewed on a regular basis by the Group.

Dismissal

The Group ensures that its employees are protected under the employment laws of Hong Kong and the PRC, including but not limited to the following protections:

- Dismissal is for good causes and not due to discriminations;
- An employee cannot be dismissed when she has been confirmed pregnant or given notice of pregnancy; and
- An employee cannot be dismissed when he or she takes a paid sick leave.

Recruitment and promotion

Recruitment and promotion should be fair and open for all employees, and cannot be affected by age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation. Employees of the Group are recognised and reviewed by their contribution, work performance and skills. The Group always do its best to provide employees with a good working environment and development opportunities.

Working hours and rest periods

The Group creates an excellent and comfortable working environment. Based on the features of its principal business, the Group sets appropriate working hours and rest breaks for all staff members. The Group also provides paid leave, marriage leave, maternity leave, casual leave and compassionate leave in addition to the statutory holidays.

Policy on equal opportunity, diversity, anti-discrimination and other benefits

The Group is an equal opportunity employer. Candidates are assessed fairly based on their experience, qualifications and abilities. The Group is committed to the belief that nobody should be treated less favorably based on his/her personal characteristics such as gender, pregnancy, marital status, disability, family status, and race. Opportunities for employment, training and career development are equally open to all qualified employees.

A summary on the relevant employee composition related KPIs of the Group for the year ended 30 June 2023 (with comparative figures for the Year 2022) is disclosed as follows:

Social KPIs	**2023** **No. of Staff**	2022 No. of Staff
Total workforce	**874**	946
Total workforce by gender		
Female	**733**	791
Male	**141**	155
Total workforce by employment type		
Full-time	**872**	945
Part-time	**2**	1
Total workforce by employment category		
Senior management	**14**	15
Middle management	**126**	134
General staff	**734**	797
Total workforce by age group		
Age 18-25	**42**	62
Age 26-35	**325**	405
Age 36-45	**420**	401
Age 46 or above	**87**	78
Total workforce by geographical region		
PRC	**790**	863
HK	**84**	83

A summary on the relevant employee turnover rate related KPIs of the Group for the year ended 30 June 2023 (with comparative figures for the Year 2022) is disclosed as follows:

Social KPIs	**2023** **Turnover Rate**	2022 Turnover Rate
Employee turnover rate	**24%**	28%
Employee turnover rate by gender		
Female	**24%**	29%
Male	**25%**	21%
Employee turnover rate by age group		
Age 18-25	**45%**	40%
Age 26-35	**34%**	39%
Age 36-45	**17%**	17%
Age 46 or above	**17%**	17%
Employee turnover rate by geographical region		
PRC	**23%**	27%
HK	**37%**	37%

B2 Health and safety

Our Group is committed to provide and maintain a safe, healthy, and hygienic workplace for all employees, and all other persons likely to be affected by our operations and activities. All employees of the Group are required to comply with all relevant occupational health and safety regulations. During the Report Period, the Group complied with all the relevant laws and regulations such as the Law of the PRC on Work Safety", the "Law of the PRC on Prevention and Control of Occupational Diseases" in relation to providing its employees with a safe and healthy working environment and protecting them from occupational hazards. The group was not aware of any non-compliance with relevant laws and regulations that had significant impact on the Group in providing a safe and healthy working environment during the Report Period.

In order to minimise workplace incidents and put the health and safety of the staff as the priority of productions, the Group has established a set of safety policy and procedures and is committed to implementing the following measures:

- Establish safety procedures for potentially hazardous work;
- 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;
- Provide necessary protective equipment and medical insurance to the employees;
- Establish emergency measures such as fire or explosion emergency plan;
- Regularly arrange rescue, fire and evacuation drills;
- Provide and maintain a healthy and safe working environment;
- Actively promote environmental protection, health and safety awareness of the employees, and support the development of environmental protection, health and safety in the industry; and
- Provide all employees with necessary job information, guidance, training and supervision to minimise occupational hazards.

The outbreak of COVID-19 has posed a significant threat to public health. The Group exercised social responsibility to safeguard our employees against infection and contain the epidemic by implemented a series of measures:

- Arrange regular COVID-19 testing to employees;
- Body temperature screening on main entrance;
- Regular cleaning and disinfection of the workplace;
- Reminded the employees to maintain good personal hygiene such as the need to wear surgical masks properly and washing hands frequently in office;
- Requested the employees to declare their health and recent travelling history;
- Requested the employees who had been travelled overseas recently to stay at home for self-quarantine; and
- Adopted flexible working arrangement to allow employees to work from home so as to enhance social distancing.

Although the breakout of COVID-19 has been ended during the year, the Group will continue to monitor the development of the epidemic and strengthen the precautionary measures if necessary. The Group has maintained a health and safe working environment and recorded no lost work days due to work injury and there were no work-related fatalities in each of the past three years (including the Year 2023).

A summary on the relevant number and rate of work-related fatalities related KPIs of the Group for the past three years is disclosed as follows:

Social KPIs	**2023**	2022	2021
Number of work-related fatalities	**Nil**	Nil	Nil
Rate of work-related fatalities	**Nil**	Nil	Nil
Lost days due to work injury	**Nil**	Nil	Nil

B3 Development and training

To accomplish the corporate objectives as well as personnel development of employees, our Group encourages and supports our employees in continuous personal and professional training. Training enhances employees' competencies and potentials in performing their jobs effectively and efficiently and leads to long-term mutual success of employees and the Group.

In order to enhance corporate governance, the Company kept the Board updated by providing various reading materials, which covered the major changes of the Listing Rules and regulations, and other finance and management reference materials. The Company also received written confirmation from each of the Directors that the Director had participated in continuous professional development training to develop and refresh his knowledge and skills in accordance with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Report Period.

The Group has established a comprehensive training system and assessment criteria from theory, sales technique, and product knowledge. The Group provides employees with training and development courses which cover various areas, including orientation, leadership and management skills and on-site training etc., with the aim of improving employees' efficiency, knowledge and skills for discharging their duties at work as well as to better equip themselves for achieving outstanding performance and maintaining intellectual curiosity. Furthermore, the Group provides orientation and on-the-job training for new staff. Senior staff offers mentorship to new staff to ensure that the culture of the Group and skills of craftsmanship van be inherited. Apart from on-site training mentioned, the group also has online training platform for expertise training for senior staff. During the Reporting Period, 632 headcounts of employees have attended training provided or sponsored by the Group. The distribution in gender and employment category are set out below:

Social KPIs	Percentage of employees trained	Average training hours completed per trained employee
Trained percentage		
Total workforce	58%	160
Trained percentage by gender		
Female	63%	60
Male	31%	60
Trained percentage by employee category		
Senior management	13%	1
Middle management	55%	53
General	59%	61

B4 Labour standards

Our Group prohibits the engagement of any child and forced labour in any of our operations and services. The Group strives to comply with the local laws and regulations throughout the recruitment and employment process, such as 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 Ordinance of Hong Kong prohibit the employment of child labour in any job positions. The Group has a clear staff manual to prohibit forced labour and ensure legal and volunteer employment of all employees. Labour who is forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden.

With the aim to prevent child labour employment, the human resources department is responsible for identity check for every job applicant to ensure no employment of child labour during the process of recruitment. Employees are required to enter into a labour contract which contains information regarding working hour, employees benefits and rights on termination to prevent any form of forced labour. Upon receipt of letters of resignation, payment of the outstanding wages will be made on time.

In addition, the Group offers sufficient rest days to employees and would not force any employees to work overtime against their will so as to prevent forced labour practices. The Group guarantees employees the right to rest and vacation according to law. Employees enjoy legal holidays and legal leave, marriage leave, compassionate leave, paid annual leave and other leave entitlements.

We also set up communication channels to allow employees to report cases of child labour and forced labour. If child labour and forced labour are found, the Management will immediately investigate the causes to ensure that no recurrence of similar incidents. The Group implement the following procedures to report child and forced labour:

- Employee opinion boxes has set up to allow employees to report child and/or forced labour;
- Human resource department would check the proof of age for all applicants before confirm their employment; and
- If child and forced labour is identified, investigation and remediation actions would be conducted immediately.

During the reporting period, the Group was not aware of any material non-compliance with relevant laws and regulations related to recruitment of child labour or forced labour practices.

B5 Supply chain management

In view of maintaining high quality standards and products provided by the suppliers, the Group has formulated policies and procedures of supply management, including the Procurement Policy to standardise the selection, evaluation and monitoring procedures of suppliers in a fair, open and impartial manner. The Group also established an integrated and systematic procurement procedure and process in selecting new potential suppliers and reviewing the performance of existing suppliers. Throughout our supplier selection and appraisal processes, we considered not only the infrastructure, production capacity and market reputation of the potential suppliers, but also their compliance of legal, ethical and social aspects as well as suppliers' ethics, and suppliers' compliance with laws and regulations concerning environmental and social practices.

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.

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. When signing procurement contracts or enter into an engagement, terms regarding quality assurance are included to ensure the delivered products and components are up to standard, and defective products will be returned. Diamond and gem suppliers are required to provide documented proof of the ethical provenance of their goods. All materials and finished goods are monitored and passed the tests of qualified gem laboratory. Through prioritizing suppliers with demonstrated management and high performance on ESG aspects, relevant risks arisen from the supply chain are mitigated and managed.

During the supplier selection and contract drafting processes, the following factors are considered in achieving "Green Procurement" on the Group's supply chain:

- Use of environmental-friendly resources in provision of products/services;
- Effort on limiting emission of pollutants;
- Responsible management of environmental impacts;
- Compliance with local environmental and social law and regulations;

- Historical incidents on bribery, corruption, and money laundering;
- Existence of discrimination due to ethnicity, gender, age, disability or marital status on supplier's recruitment;
- Provision of fair wages and all other legally mandated benefits;
- Provision of a safe working environment which complies with local laws or practices; and
- Community investment initiatives and effort.

The Group has also established a rating and warnings system for the assessment of current suppliers. Suppliers are subject to a system of warnings, when substandard goods and materials are identified, the quality assurance deposits would be deducted. If no improvements have been made thereafter, temporary or even permanent blocking of orders. The cooperation with suppliers will also be terminated if the environmental and social standards not in line with the Group's policy.

A summary on the relevant number of suppliers related KPIs of the Group for year ended 30 June 2023 is disclosed as follows:

Location of suppliers	No. of suppliers
PRC	119
HK	70

B6 Product responsibility

The Group strictly abides by the Product Quality Law of the People's Republic of China, Law of the People's Republic of China on Protection of Consumer Rights and Interests, Advertising Law of the People's Republic of China and Trade Description Ordinance of Hong Kong. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that would have any significant impact on the Group relating to health and safety, advertising and labelling and privacy matters.

The Group is committed to establishing strong relationships with its customers, providing customers with high-quality products and services, settling customer complaints timely and effectively, continuously improving our service level, and ensuring customer satisfaction through the following policies:

- Ensure the products and services comply with related laws and guidelines;
- Carry out inspection on the products and ensure its quality matches against the terms of the relevant purchase contract;
- Provide customers with accurate product information and high quality products/services; and
- Develop product warranty policy and after-sales services for our products.

Quality assurance

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.

The Group is committed to providing quality products to customers and focuses on customers' feedback to the products sold by the Group. Customers can offer their opinions or lodge complaints through existing communication channels. The Group will conduct investigations and prepare reports based on the responses and take corrective measures when necessary. During the Reporting Period, the Group did not receive any complaints from its customers or the public in relation to its products or services.

Protecting 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.

The Group implement the following practices relating to observing and protecting intellectual property rights:

- The Group uses authorized and copyrighted products only;
- Employees are not allowed to download or install any forged or copied programs, software or materials; and
- The Group's standard employment contracts contain provisions on intellectual property rights and confidentiality.

Data privacy policy

Protecting the security and privacy of stakeholders' personal data is important to our Group. The employees of the Group are trained on the data protection principles and methods and we ensure compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and other statutory requirements to meet a high standard of security and confidentiality of personal data privacy protection. The following data protection principles are adopted in preserving proper security and use of data:

- We only collect personal data that are relevant and required for our businesses;
- We will not share personal data to any entity that is not a member of our Group without consent unless it is required by law or it was previously agreed;
- We maintain appropriate data collection, storage, and processing practices and security measures to protect against unauthorised access to personal information;
- Computer system is regularly updated and is installed with firewall and antivirus software to avoid possible hackers' activities; and
- All employees have signed confidentiality agreement.

During the Report Period, there were no reported cases of any product recalls, product safety or related health issues. The Group has not encountered incidents of infringement of intellectual property rights or leakage of confidential information during the Year.

B7 Anti-corruption

The Group strives to comply with the applicable laws and regulations relating to fraud and corruption prevention and anti-money laundering in the PRC and Hong Kong and maintain a culture of honesty with zero tolerance towards any kind of such activities. 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. With integrity being a core part of the Group's business ethics, employees have the responsibility to observe the applicable rules and regulations such as the Prevention of Bribery Ordinance of Hong Kong and the Criminal Law of the PRC.

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.

Anti-corruption training has been rolled out during the year for all directors and staff under the Group. The online training provides an introduction to anti-money laundering on the legislation, approach and roles and responsibilities of senior managements and staff. This included the approach in assessing AML compliance risks, method to prioritize these risks and controls for AML compliance.

During the Reporting Period, 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 the employees.

B8 Community investment

As a responsible company, we aim at serving and strengthening the wider community, and encouraging employees and other stakeholders in supporting the community. Our Group understands well of the importance for making positive contribution to the community where it operates, and considers community benefits as one of its social responsibilities. We encourage our employee to actively participate in public conventions, conference, exhibitions and events with a particular focus on community investment, sponsorships and charitable contributions.

Selection of supporting charities involves several considerations. We evaluate the vision and background of requesting charities in aligning with our Group's. Charities engaged in unethical activities, and those in unclear financial position, and conflict of interest with corporation/individual will not be considered.

During the Reporting Period, the Group upholds the spirit of giving back to the society by playing a part in two key area: community wellbeing and youth development.

– Awarded "Caring Company 10+" by The Hong Kong Council of Social Service ("HKCSS") for the third consecutive year. 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 2022/2023” for enhancing the "Oral Health Services for the Needy" provided by the Chest's member social welfare agencies.

– Participated in “Skip Lunch Day 2023” 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.

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.

– Capital Weekly – Services Awards 2022 – Jewellery”

– “BOCHK Corporate Environmental Leadership Awards Programme 2021 – Eco Partner”

– “Marie Claire – Best Label Award 2021/2022 (Best Jewelry)”

– “Q-Mark Service Elite 2021” by Hong Kong Q-Mark Council

– “HKRMA Certificate of Outlet Anti-Epidemic Measures Recognition”

– “CAPITAL – ESG Awards 2022”

– “Hong Kong Retail Management Association – 2022 Quality Service Retailer of the Year of Flagship Stores – Gold Award”

– “Hong Kong Retail Management Association – 2022 Quality Service Retailer of the Year (Watch & Jewellery Category Award)”

– “TVB Weekly Brand Award 2022” by TVB Weekly

– “2022 Outstanding QTS Merchant – Gold Award (Jewellery & Watches)” by Hong Kong Tourism Board

– “Promoting Happiness Index Foundation Hong Kong – Happy Company”

– “OL Favourite Brands Award 2023” by JESSICA

– “Elite Jewellery Brand Awards 2022” by Ming Pao Weekly

Directors' Report

The Directors present their annual report and audited consolidated financial statements of the Company and of the Group for 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 40 to the consolidated financial statements.

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 67.

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2023 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 pages 9 to 10 and the Management Discussion and Analysis on pages 11 to 20 of this annual report. The financial risk management objectives and policies of the Group are set out in note 37 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Environmental, Social and Governance Report for the financial year ended 30 June 2023 is set out on pages 31 to 54 of this annual report.

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 29 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 39 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVE

As at 30 June 2023, the Company did not have distributable reserves to shareholders (2022: nil).

DIRECTORS

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

Executive Directors

Mr. Li Ning, Chairman
Mr. Wang Chaoguang, Co-chairman
Ms. Dai Wei (resigned on 23 September 2022) [Note]

Non-executive Director

Mr. Hu Hongwei

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
Dr. Fan, Anthony Ren Da
Mr. Chan Kim Sun

Note: Ms. Dai Wei has resigned as an executive Director to devote more time to her other business commitments.

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

DIRECTORS' SERVICE CONTRACTS

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

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

At 30 June 2023, 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	157,000	–	21,000,000 [Note a]	21,157,000	7.85%
Mr. Wang Chaoguang	–	–	65,000,000 [Note b]	65,000,000	24.10%
Mr. Hu Hongwei	–	–	–	–	–
Dr. Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Dr. Fan, Anthony Ren Da	–	–	–	–	–
Mr. Chan Kim Sun	–	–	–	–	–

Notes:

(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) The shares are held by Grace Fountain Holdings Limited ("Grace Fountain"). Grace Fountain is a company wholly-owned by Mr. Wang Chaoguang, an executive Director and co-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
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note)	87,500	0.03%
Dr. Fan, Anthony Ren Da	Beneficial owner (Note)	87,500	0.03%

Note: 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 2023.

SHARE OPTIONS AND CONVERTIBLE BONDS

Particulars of the Company's share option scheme and convertible bonds are set out in notes 30 and 21 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 2023, 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
Mr. Wang Chaoguang	Corporate interest (Note a)	65,000,000	24.10%
Grace Fountain Holdings Limited	Beneficial owner (Note a)	65,000,000	24.10%
Mr. Duan Guangzhi	Corporate interest (Note b)	50,000,000	18.54%
Excel Horizon Investments Limited	Beneficial owner (Note b)	50,000,000	18.54%
Ms. Hao Yuanyuan	Corporate interest (Note c)	28,000,000	10.38%
Well Pop Group Limited	Beneficial owner (Note c)	28,000,000	10.38%
Mr. Zheng Yue Wen	Corporate interest (Note d)	25,105,561	9.31%
Mr. Wen Jialong	Beneficial owner (Note d)	141,548	0.05%
	Corporate interest (Note d)	25,105,561	9.31%
Hallow King Global Investment Limited	Corporate interest (Note d)	25,105,561	9.31%
Kerui Jinrong Co., Limited	Corporate interest (Note d)	25,105,561	9.31%
Weltrade Group Limited	Beneficial owner (Note d)	25,105,561	9.31%
Mr. Li Ning	Beneficial owner (Note e)	157,000	0.06%
	Corporate interest (Note e)	21,000,000	7.79%
Eminent Rise Holdings Limited	Beneficial owner (Note e)	21,000,000	7.79%

Notes:

(a) The shares are held by Grace Fountain. Grace Fountain is a company wholly-owned by Mr. Wang Chaoguang. As such, Mr. Wang Chaoguang is deemed to be interested in all the shares held by Grace Fountain.

(b) The shares are held by Excel Horizon Investments Limited ("Excel Horizon"). Excel Horizon is a company wholly-owned by Mr. Duan Guangzhi. As such, Mr. Duan Guangzhi is deemed to be interested in all the shares held by Excel Horizon.

(c) 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.

(d) 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.

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

(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
Mr. Wang Chaoguang	Corporate interest (Note a)	80,000,000	29.67%
Grace Fountain Holdings Limited	Beneficial owner (Note a)	80,000,000	29.67%
Mr. Duan Guangzhi	Corporate interest (Note b)	50,000,000	18.54%
Excel Horizon Investments Limited	Beneficial owner (Note b)	50,000,000	18.54%

Notes:

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

(b) These derivatives comprise interests in the form of convertible bonds held by Excel Horizon.

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 2023.

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 35 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 or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTINUING CONNECTED TRANSACTIONS

The Franchise Agreement and the Service Agreement

On 15 November 2021, China Gold Silver Group Company Limited ("CGS" together with its subsidiaries, the "CGS Group"), an indirect non wholly-owned subsidiary of the Company, entered into a franchise agreement ("Franchise Agreement") and a service agreement ("Service Agreement") with GS Tech Company Limited ("GS Tech"), a company incorporated in Hong Kong and indirectly owned as to 92% by the WS Wong Family Trust (the "Wong's Family Trust"), a controlling shareholder of Luk Fook Holdings (International) Limited ("Luk Fook Holdings") and of which Mr. Wong Ho Lung Danny, an executive director of CGS, is one of the discretionary beneficiaries of the Wong's Family Trust. Each of the Franchise Agreement and the Service Agreement constitutes a continuing connected transaction on the part of the Company in light that 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 15 November 2021.

Pursuant to the Franchise Agreement, CGS Group shall pay to GS Tech licence fee for the grant of a license for the use of the computer programs (the "Computer Programs") by the CGS Group's retail outlets and head offices for a term of three years from 1 July 2021 to 30 June 2024 (both days inclusive). The maximum licence fees payable by CGS to GS Tech pursuant to the Franchise Agreement shall be no more than HK$1,200,000, HK$1,300,000 and HK$1,400,000 for each of the three years ending 30 June 2022, 2023 and 2024, respectively. During the year ended 30 June 2023, the licence fee charged by GS Tech to CGS pursuant to the Franchise Agreement was HK$Nil and is within the annual cap.

Pursuant to the Service Agreement, CGS shall pay to GS Tech monthly fees in respect of the maintenance services provided by GS Tech for the Computer Programs for a term of three years from 1 July 2021 to 30 June 2024 (both days inclusive). The maximum annual service fees payable by CGS to GS Tech pursuant to the Service Agreement shall be no more than HK$5,000,000, HK$5,500,000 and HK$6,000,000 for each of the three years ending 30 June 2022, 2023 and 2024, respectively. During the year ended 30 June 2023, the service fee charged by GS Tech to CGS pursuant to the Service Agreement was HK$Nil and is within the annual cap.

On 6 July 2022, CGS, GS Tech, 博遠金星軟件(重慶)有限公司 (transliterated as Bo Yuan Gold Star Software (Chongqing) Company Limited) ("BYGS"), being a subsidiary of GS Tech and 尊福珠寶(重慶)有限公司 (transliterated as Zunfu Jewellery (Chongqing) Co., Ltd.)("ZF Jewellery"), being subsidiary of CGS, entered into an assignment and novation agreement, pursuant to which the rights and obligations of GS Tech and CGS under the Franchise Agreement have been assigned and novated to BYGS and ZF Jewellery respectively, and that certain license fees payable by ZF Jewellery to BYGS was subject to a downward adjustment. Details of the above are set out in the announcements of the Company dated 15 November 2021 and 6 July 2022. During the year ended 30 June 2023, the license fee charged by BYGS to ZF Jewellery pursuant to the Franchise Agreement was HK$Nil and the service fee charged by BYGS to ZF Jewellery pursuant to the Service Agreement was approximately HK$2,596,000 and is within the annual cap.

The Supply Agreement

On 15 November 2021, CGS and Maxigood Enterprises Limited ("Maxigood"), an indirect wholly-owned subsidiary of Luk Fook Holdings, entered into a supply agreement ("Supply Agreement"), pursuant to which CGS (for itself and as an agent for and on behalf of each of its subsidiaries, collectively "CGS Group") shall supply to Maxigood (for itself and as an agent for and on behalf of each of the subsidiaries of Luk Fook Holdings, collectively "Maxigood Group"), raw materials and/or finished goods in respect of platinum and gold jewelleries and gold ornaments, gem-set jewelleries, jadeites, gemstones and other accessory items for a term of three years from 1 July 2021 to 30 June 2024. CGS is owned as to 50% by the Company and 50% by Luk Fook 3D Management Company Limited ("Luk Fook 3DM"), a subsidiary of Luk Fook Holdings. As such, each Luk Fook 3DM, Luk Fook Holdings and Maxigood is a connected person of the Company at the subsidiary level and the Supply Agreement constitutes a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 15 November 2021.

The maximum annual amount of consideration receivable by CGS from Maxigood under the Supply Agreement shall be no more than HK$50,000,000, HK$60,000,000 and HK$70,000,000 for each of the three years ending 30 June 2022, 2023, and 2024, respectively. During the year ended 30 June 2023, the supply by CGS Group to Maxigood Group pursuant to the Supply Agreement amounted to approximately HK$1,495,000 and is within the annual cap.

The Purchase Agreement

On 15 November 2021, CGS and Maxigood, entered into a purchase agreement ("Purchase Agreement"), pursuant to which CGS Group shall purchase from Maxigood Group for a term of three years from 1 July 2021 to 30 June 2024. Given that each Luk Fook 3DM, Luk Fook Holdings and Maxigood is a connected person of the Company at the subsidiary level and the Supply Agreement constitutes a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Details of the above are set out in the announcement of the Company dated 15 November 2021.

The maximum annual amount of consideration payable by CGS to Maxigood under the Purchase Agreement shall be no more than HK$50,000,000, HK$60,000,000 and HK$70,000,000 for each of the three years ending 30 June 2022, 2023, and 2024, respectively. During the year ended 30 June 2023, the purchase by CGS and its subsidiaries from Maxigood and its fellow subsidiaries pursuant to the Purchase Agreement amounted to approximately HK$3,102,000 and is within the annual cap.

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 its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with Rule 14A.56 of the Listing Rule. 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.

CONNECTED TRANSACTIONS

On 24 February 2023, 至尊金業(深圳)有限公司 (transliterated as 3D-Gold (Shenzhen) Co., Ltd.) ("3D-Gold Shenzhen"), as tenant, entered into two tenancy agreements ("Luk Fook PRC Tenancy Agreements") with two subsidiaries of Luk Fook Holdings, as landlords; in relation to the leasing of the premises for use as office located at Units 1701-1712, Block B, IBC, Buxin St 3008, Luohu District, Shenzhen, PRC for a term of 18 months commencing from 1 January 2023 to 30 June 2024. The monthly rental payable by 3D-Gold Shenzhen to the respective landlords under the two Luk Fook PRC Tenancy Agreements were approximately RMB162,000 and RMB160,000 respectively.

On 24 February 2023, 重慶金至尊飾品設計有限公司 (transliterated as Chongqing 3D-Gold Jewellery Design Co., Ltd.) ("3D-Gold Chongqing") and 尊福珠寶(重慶)有限公司 (transliterated as Zun Fu Jewellery (Chongqing) Co., Ltd.) ("ZF Chongqing"), as tenants, entered into three tenancy agreements ("Wong's PRC Tenancy Agreements", together with the Luk Fook PRC Tenancy Agreements, the "PRC Tenancy Agreements") with two associates of the Wong's Family Trust for the leasing of the premises for use as office at Units 1802-1809, Block B, IBC, Buxin St 3008, Luohu District, Shenzhen, PRC for a term of 18 months commencing from 1 January 2023 to 30 June 2024. The monthly rental payable by 3D-Gold Chongqing to the associates of the Wong's Family Trust were approximately RMB25,000 and RMB53,000 respectively and the monthly rental payable by ZF Chongqing to the associates of the Wong's Family Trust was approximately RMB137,000.

As the landlords under the PRC Tenancy Agreements are either the subsidiaries of Luk Fook Holdings or the associates of its controlling shareholder, i.e. the Wong's Family Trust, they are connected persons on the part of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The leases contemplated under the PRC Tenancy Agreements therefore constituted connected transactions at the subsidiary level on the part of the Company under Chapter 14A of the Listing Rules. As the premises under the Luk Fook PRC Tenancy Agreements and Wong's PRC Tenancy Agreements are located in the same building, the leases contemplated under the PRC Tenancy Agreements shall be aggregated and be treated as if they were one transaction pursuant to Chapter 14 of the Listing Rules. Pursuant to HKFRS 16, the Group is required to recognise the tenancy of the premises under the PRC Tenancy Agreements as the right-of-use assets, thus the entering into of the PRC Tenancy Agreements and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group under the Listing Rules. Details of the above was set out in the announcement of the Company dated 24 February 2023.

On 28 July 2023, the Company, as borrower, entered into a loan agreement (the "Loan Agreement") with Luk Fook Finance Company Limited (the "Lender"), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Luk Fook Holdings, as lender, pursuant to which the loan in the principal amount of HK$10,000,000 at an interest rate of 15% per annum was made available by the Lender to the Company. As security for the repayment obligation of the Company under the Loan Agreement, a debenture (the "Debenture") was entered into by the Company in favour of the Lender on 28 July 2023. CGS was a subsidiary of the Company and was owned as to 50% by the Company and 50% by Luk Fook 3D Management Company Limited, being an indirect wholly-owned subsidiary of Luk Fook Holdings. As the Lender was an indirect wholly-owned subsidiary of Luk Fook Holdings, thus a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As such, the Loan Agreement and the transactions contemplated thereunder including the execution of the Debenture constitute a connected transaction at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Details of the above was set out in the announcement of the Company with headline "CONNECTED TRANSACTION AT SUBSIDIARY LEVEL" dated 28 July 2023.

On 28 July 2023, the Company, as vendor, entered into a disposal agreement (the "Disposal Agreement") with Mr. Li Ning (the "Mr. Li"), in relation to the disposal (the "Disposal") of the entire issued share capital of Brand New Management Limited ("Brand New"), a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company, for a total consideration of HK$9 million (subject to adjustment). Brand New is a wholly-owned subsidiary of the Company. Mr. Li is an executive director of the Company and is beneficially and through Eminent Rise Holdings Limited, his controlled corporation, holding in aggregate 21,157,000 shares of the Company, representing approximately 7.85% shareholding of the Company. Mr. Li is a connected person of the Company and the Disposal constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. Details of the above was set out in the joint announcement of the Company with headline "JOINT ANNOUNCEMENT" dated 28 July 2023. As at the date of this report, the Disposal has yet completed.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year set out in note 35 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 30 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 2023.

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$18,000 (2022: HK$19,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest suppliers of the Group accounted for 68% of the Group's purchases and 37% of the total purchases were attributed to the Group's largest supplier.

Aggregate sales attributable to the Group's five largest customers were 16% 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 28 to the consolidated financial statements.

EXTERNAL AUDITOR

The Group's consolidated financial statements for the year ended 30 June 2023 were audited by Crowe (HK) CPA Limited. A resolution will be proposed at the 2023 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 2023

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

INDEPENDENT AUDITOR'S REPORT 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)

DISCLAIMER OF OPINION

We were engaged to audit 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 67 to 163, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to going concern

As set out in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately HK$155,719,000 for the year ended 30 June 2023 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$450,906,000 and HK$370,739,000 respectively, all of which are substantially attributable to operating and financial difficulties sustained by China Gold Silver Group Company Limited ("CGS"), a non-wholly owned subsidiary of the Company, whereas the Group only had bank balances and cash of approximately HK$71,229,000 as at 30 June 2023.

The directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, which are set out in Note 2 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, which include successful negotiation with Luk Fook Holdings (International) Limited ("Luk Fook"), the ultimate holding company of the non-controlling shareholder of CGS, to provide sufficient financial support to CGS. These conditions indicate the existence of material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, we were unable to obtain sufficient appropriate audit evidence or verify by alternative means that Luk Fook agrees to provide sufficient support to CGS. We were unable to form an opinion as to whether the going concern basis of preparation of the consolidated financial statements of the Group is appropriate and we disclaim our opinion on the consolidated financial statements of the Group in respect of year ended 30 June 2023. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 of the Company 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of this report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 September 2023

Chan Wing Fai
Practising Certificate Number P07327

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
Revenue	6(a)	**804,292**	901,974
Cost of sales and services rendered		**(632,732)**	(705,824)
Gross profit		**171,560**	196,150
Other income	7	**10,509**	7,492
Selling expenses		**(177,533)**	(197,366)
General and administrative expenses		**(72,550)**	(76,140)
Other gains and losses		**(11,445)**	(9,412)
Change in fair value of derivatives embedded in convertible bonds	21(b)	**(219)**	2,290
Loss on early redemption of convertible bonds	21(a)	**–**	(9,650)
Loss on disposal of subsidiaries	31	**–**	(3)
Reversal of impairment loss/(impairment loss) on trade receivables recognised under expected credit loss model, net		**315**	(870)
Finance costs	8	**(79,033)**	(42,250)
Loss before taxation	9	**(158,396)**	(129,759)
Income tax credit	11	**2,677**	12,955
Loss for the year		**(155,719)**	(116,804)
Other comprehensive income/(expense)			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation		**15,615**	18,255
Item that will be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(51,595)**	(16,372)
Other comprehensive (expense)/income for the year		**(35,980)**	1,883
Total comprehensive expense for the year		**(191,699)**	(114,921)
Loss for the year attributable to:			
Owners of the Company		**(89,744)**	(78,919)
Non-controlling interests		**(65,975)**	(37,885)
		(155,719)	(116,804)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(110,792)**	(71,639)
Non-controlling interests		**(80,907)**	(43,282)
		(191,699)	(114,921)
Loss per ordinary share			
Basic	13	**(HK$0.333)**	(HK$0.352)
Diluted	13	**(HK$0.333)**	(HK$0.352)

The notes on pages 73 to 163 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**15,377**	16,337
Right-of-use assets	15	**15,362**	16,254
Deposits paid	16	**2,701**	1,826
Intangible assets	17	**168,066**	168,066
Equity instruments at fair value through other comprehensive income ("FVTOCI")	18	**–**	–
Deferred tax assets	19	**22,795**	19,896
		224,301	222,379
Current assets			
Inventories	20	**532,889**	602,939
Right to returned goods asset		**2,665**	2,609
Trade and other receivables and deposits paid	16	**75,236**	74,182
Derivative component of convertible bonds	21(b)	**9,577**	1,791
Pledged bank deposits	22	**864,396**	797,759
Bank balances and cash	22	**71,229**	84,599
		1,555,992	1,563,879
Current liabilities			
Trade and other payables, accruals and deposits received	23	**152,852**	134,793
Bank and other borrowings	28	**1,715,211**	1,563,500
Contract liabilities	24	**14,371**	15,571
Refund liabilities	25	**9,668**	9,130
Lease liabilities	26	**13,749**	11,214
Derivative component of convertible bonds	21(b)	**10,079**	1,979
Income tax liabilities		**122**	320
Amount due to a director	35(b)	**3,394**	–
Convertible bonds	21(a)	**87,452**	–
		2,006,898	1,736,507
Net current liabilities		**(450,906)**	(172,628)
Total assets less current liabilities		**(226,605)**	49,751

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	**2023 HK$'000**	2022 HK$'000
Non-current liabilities			
Convertible bonds	21(a)	–	81,072
Lease liabilities	26	**2,118**	5,703
Loan from a non-controlling shareholder of a subsidiary	27	**100,000**	100,000
Deferred tax liabilities	19	**42,016**	42,016
		144,134	228,791
NET LIABILITIES		**(370,739)**	(179,040)
EQUITY			
Capital and reserves			
Share capital	29	**270**	270
Reserves		**(191,993)**	(81,201)
Deficit attributable to owners of the Company		**(191,723)**	(80,931)
Non-controlling interests		**(179,016)**	(98,109)
TOTAL DEFICIT		**(370,739)**	(179,040)

The consolidated financial statements on pages 67 to 163 were approved and authorised for issue by the board of directors on 29 September 2023 and are signed on its behalf by:

Li Ning
Director

Wang Chaoguang
Director

The notes on pages 73 to 163 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	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 July 2021	61,868	787,648	55,327	(252,408)	4,303	(6,008)	1,374	33,155	(752,051)	(66,792)	(54,827)	(121,619)
Loss for the year	–	–	–	–	–	–	–	–	(78,919)	(78,919)	(37,885)	(116,804)
Exchange difference arising on translation	–	–	–	–	–	–	7,280	–	–	7,280	(5,397)	1,883
Total comprehensive income/ (expense) for the year	–	–	–	–	–	–	7,280	–	(78,919)	(71,639)	(43,282)	(114,921)
Capital reorganisation (Note 29)	(61,713)	–	61,713	–	–	–	–	–	–	–	–	–
Issue of shares, net of transaction costs (Note 29)	115	57,385	–	–	–	–	–	–	–	57,500	–	57,500
Lapse of share options	–	–	–	–	(214)	–	–	–	214	–	–	–
At 30 June 2022	270	845,033	117,040	(252,408)	4,089	(6,008)	8,654	33,155	(830,756)	(80,931)	(98,109)	(179,040)
At 1 July 2022	**270**	**845,033**	**117,040**	**(252,408)**	**4,089**	**(6,008)**	**8,654**	**33,155**	**(830,756)**	**(80,931)**	**(98,109)**	**(179,040)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(89,744)**	**(89,744)**	**(65,975)**	**(155,719)**
Exchange difference arising on translation	**–**	**–**	**–**	**–**	**–**	**–**	**(21,048)**	**–**	**–**	**(21,048)**	**(14,932)**	**(35,980)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(21,048)**	**–**	**(89,744)**	**(110,792)**	**(80,907)**	**(191,699)**
Lapse of share options	**–**	**–**	**–**	**–**	**(2,560)**	**–**	**–**	**–**	**2,560**	**–**	**–**	**–**
At 30 June 2023	**270**	**845,033**	**117,040**	**(252,408)**	**1,529**	**(6,008)**	**(12,394)**	**33,155**	**(917,940)**	**(191,723)**	**(179,016)**	**(370,739)**

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 non-wholly owned subsidiary of the Company, being acquired from the non-controlling shareholders on 14 May 2010; and

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

b) The 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.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	2023 HK$'000	2022 HK$'000
Operating activities		
Loss before taxation	**(158,396)**	(129,759)
Adjustments for:		
Allowance of inventories	**2,618**	1,407
Bank interest income	**(5,298)**	(2,889)
Change in fair value of derivatives embedded in convertible bonds	**219**	(2,290)
COVID-19-related rent concession received	**–**	(27)
Depreciation of property, plant and equipment	**10,083**	11,460
Depreciation of right-of-use assets	**16,049**	13,398
Finance costs	**79,033**	42,250
Loss on early redemption of convertible bonds	**–**	9,650
Loss on disposal of subsidiaries (Note 31)	**–**	3
Gain on modification of lease	**(103)**	(193)
Interest income from rental deposits	**(294)**	(232)
(Reversal of impairment loss)/impairment loss on trade receivables recognised under expected credit loss model, net	**(315)**	870
Loss on disposal of property, plant and equipment	**43**	1,096
Unrealised net exchange loss	**11,388**	8,313
Written off of property, plant and equipment	**15**	–
	(44,958)	(46,943)
Decrease in inventories	**31,203**	56,791
(Increase)/decrease in trade and other receivables and deposits paid	**(6,342)**	1,128
Increase in right to returned goods asset	**(241)**	(351)
Increase in refund liabilities	**1,240**	2,388
Decrease in contract liabilities	**(103)**	(4,145)
Increase/(decrease) in trade and other payables, accruals and deposits received	**20,214**	(21,153)
Cash generated from/(used in) operations	**1,013**	(12,285)
Income taxes refunded	**9**	9,122
Income taxes paid	**(412)**	(4,260)
Net cash generated from/(used in) operating activities	**610**	(7,423)

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	2023 **HK$'000**	2022 HK$'000
Investing activities		
Interest received	**5,065**	2,753
Purchase of property, plant and equipment	**(10,309)**	(9,709)
Proceeds from disposal of property, plant and equipment	**5**	129
Net cash outflows from disposal of subsidiaries (Note 31)	**–**	(7)
Placement of pledged bank deposits	**(72,012)**	(54,581)
Withdrawal of pledged bank deposits	**–**	20,750
Net cash used in investing activities	**(77,251)**	(40,665)
Financing activities		
Interest paid	**(71,151)**	(42,053)
Proceeds from issue of convertible bonds	**–**	84,500
Proceeds from issue of shares, net of transaction costs	**–**	57,500
New bank and other borrowings raised	**151,735**	119,000
Advances from a director	**34,567**	–
Repayment to a director	**(31,118)**	–
Repayment of bank and other borrowings	**–**	(59,500)
Repayment of convertibles bonds	**–**	(79,950)
Repayment of lease liabilities, including related interests	**(17,192)**	(14,065)
Repayment of loan from a non-controlling shareholder of a subsidiary (Note 27(b))	**–**	(27,000)
Net cash generated from financing activities	**66,841**	38,432
Net decrease in cash and cash equivalents	**(9,800)**	(9,656)
Cash and cash equivalents at beginning of the year	**84,599**	96,158
Effect of foreign exchange rate changes	**(3,570)**	(1,903)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**71,229**	84,599

The notes on pages 73 to 163 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 changed from Room 905, 9th Floor, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong to Room 2306, 23/F, Tower One, Lippo Centre, No.89 Queensway, Hong Kong with effect from 6 October 2022.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in Note 40 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$155,719,000 for the year ended 30 June 2023 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$450,906,000 and HK$370,739,000 respectively, all of which are substantially attributable to operating and financial difficulties sustained by CGS, whereas the Group only had bank balances and cash of approximately HK$71,229,000 as at 30 June 2023. The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and the financial position of the Group and the Group's available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has taken plans and measures to mitigate its liquidity pressure and improve its financial position, including active negotiation with Luk Fook Holdings (International) Limited ("Luk Fook"), the ultimate holding company of the non-controlling shareholder of CGS, to provide sufficient financial support to CGS after the completion of the acquisitions of the Company's shares and convertible bonds by Luk Fook 3D Investment Holding Company Limited, a wholly-owned subsidiary of Luk Fook, whereas the details of the acquisitions are set out in the joint announcement made by the Company and Luk Fook on 28 July 2023. Up to the date of the approval for issuance of the Group's consolidated financial statements, the aforesaid acquisitions are not yet completed.

The directors of the Company have prepared the Group's cash flow projections which cover a period of not less than twelve months from 30 June 2023. The directors of the Company are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures by the Group are in progress and no written contractual agreement in respect of the financial support is available to the Group as at the date of the approval for issuance of the consolidated financial statements, material uncertainties exist as to whether the management of the Group will be able to achieve its plans and measures as mentioned above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to mitigate its liquidity pressure and improve the financial position of the Group through the successful negotiation with Luk Fook for the sufficient financial support to CGS after the completion of the aforesaid acquisitions.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 July 2022 for the preparation of the consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Provision, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

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 in these consolidated financial statements:

HKFRS 17 and related amendments	Insurance Contract[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-Current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[3]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules[4]
Amendments to HKAS 21	Lack of Exchangeability[5]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.
4 Immediately effective for the disclosure of the use of mandatory temporary exception (from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes) upon issuance of the amendments and retrospectively. The remaining disclosure requirements apply for annual periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.
5 Effective for annual periods beginning on or after 1 January 2025.

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

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The significant accounting policies are set out below.

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

Basis of consolidation

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

– has power over the investee;

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

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

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

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

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

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

– rights arising from other contractual arrangements; and

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

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

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

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

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

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

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

Basis of consolidation *(Continued)*

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed. The cost of the Group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill.

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

Business combinations or asset acquisitions *(Continued)*

Business combination

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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 recognised in profit or loss as incurred except when they relate to issuance of equity instruments.

For business combinations in which the acquisition date is on or after 1 July 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

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

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

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

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

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

Business combinations or asset acquisitions *(Continued)*

Business combination *(Continued)*

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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, 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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 and are presented as right to returned goods asset.

Principal versus agent

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

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

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

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

Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

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 other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

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

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

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

Leases *(Continued)*

The Group as a lessee *(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.

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

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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

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

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

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

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

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

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

Leases *(Continued)*

The Group as a lessee *(Continued)*

COVID-19-related rent concessions

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

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

– any reduction in lease payments affects only payments originally due on or before 30 June 2022; 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 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

Foreign currencies

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

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

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

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

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

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

Borrowing costs

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

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

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

Government grants

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

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

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

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.

Employee benefits

Retirement benefit costs

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

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

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

Employee benefits *(Continued)*

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.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Share options granted to consultants

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

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

Taxation

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

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

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

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "*Income Taxes*" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition are not recognised except in the situation where the temporary differences arising from the asset and the liability are the same. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

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

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets acquired separately

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

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.

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

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

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

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

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

Impairment on non-financial assets

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

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

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

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

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

Impairment on non-financial assets *(Continued)*

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 (net of any depreciation/amortisation) 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.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 22.

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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

Provisions

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

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

Contingent assets/liabilities

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "*Revenue from Contracts with Customers*" ("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.

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

Financial instruments *(Continued)*

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.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

i) Amortised cost and interest income

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

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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.

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables from contracts with customers and contract assets.

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

i) Significant increase in credit risk

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

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

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

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.

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

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

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

ii) Definition of default

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

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

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

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.

iv) Write-off policy

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

v) Measurement and recognition of ECL

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

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

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

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

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

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

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

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

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

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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, lease liabilities, convertible bonds, amount due to a director and loan from a non-controlling shareholder of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

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

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

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

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

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible bonds contain debt and derivative components

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

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

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

Derecognition/modification of financial liabilities

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

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

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

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

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset of financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if both these conditions are met:

– the change is necessary as a direct consequence of interest rate benchmark reform; and

– the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change)

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

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.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent to each other.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Going concern

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

Control over CGS

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

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

Principal versus agent consideration

The Group mainly acts as the principal to all contracts with customers and therefore recognises revenue earned and costs incurred related to the transactions on a gross basis where the Group is the primary obligor and are responsible for (i) identifying and contracting with individual customers and negotiating with them the contract price; (ii) identifying and contracting with suppliers; and (iii) bearing sole responsibility for fulfillment of the services.

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

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 2023, the carrying amount of the Group's inventories is approximately HK$532,889,000 (2022: HK$602,939,000).

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 2023, the carrying amount of income tax liabilities is approximately HK$122,000 (2022: HK$320,000), deferred tax liabilities is approximately HK$42,016,000 (2022: HK$42,016,000) and deferred tax assets is approximately HK$22,795,000 (2022: HK$19,896,000).

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 2023, the carrying amount of derivative component of convertible bonds recognised as current assets and current liabilities of approximately HK$9,577,000 (2022: HK$1,791,000) and HK$10,079,000 (2022: HK$1,979,000) respectively.

Impairment assessment of cash-generating units which the intangible assets belong to

Determining whether cash-generating units which the intangible assets belong to 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 2023, the carrying amount of the Group's intangible assets is approximately HK$168,066,000 (2022: HK$168,066,000).

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

Key sources of estimation uncertainty *(Continued)*

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 37 and 16 to the consolidated financial statements, respectively.

Deferred tax asset

As at 30 June 2023, deferred tax assets of approximately HK$22,795,000 (2022: HK$19,896,000) were recognised. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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		New media marketing service business in Mainland China		Other		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Retail sales of goods	**449,216**	586,759	**88,028**	71,424	**–**	–	**–**	–	**537,244**	658,183
Sales of E-commerce goods	**55,106**	21,487	**–**	–	**–**	–	**–**	–	**55,106**	21,487
Franchising and licensing income	**26,164**	38,211	**–**	–	**–**	–	**–**	–	**26,164**	38,211
New media marketing services	**–**	–	**–**	–	**183,802**	183,725	**–**	–	**183,802**	183,725
Cloud computer solution services	**–**	–	**–**	–	**–**	–	**1,976**	368	**1,976**	368
Goods and services	**530,486**	646,457	**88,028**	71,424	**183,802**	183,725	**1,976**	368	**804,292**	901,974

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

a) Revenue *(Continued)*

Disaggregation of revenue for the year ended 30 June 2023

	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	New media marketing service business in Mainland China HK$'000	Other HK$'000	Total HK$'000
Geographical markets					
– Mainland China	**530,486**	**–**	**183,802**	**1,976**	**716,264**
– Hong Kong and Macau	**–**	**88,028**	**–**	**–**	**88,028**
	530,486	**88,028**	**183,802**	**1,976**	**804,292**
Timing of revenue recognition					
– A point in time	**504,322**	**88,028**	**183,802**	**1,976**	**778,128**
– Over time	**26,164**	**–**	**–**	**–**	**26,164**
	530,486	**88,028**	**183,802**	**1,976**	**804,292**

Disaggregation of revenue for the year ended 30 June 2022

	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	New media marketing service business in Mainland China HK$'000	Other HK$'000	Total HK$'000
Geographical markets					
– Mainland China	646,457	–	183,725	368	830,550
– Hong Kong and Macau	–	71,424	–	–	71,424
	646,457	71,424	183,725	368	901,974
Timing of revenue recognition					
– A point in time	608,246	71,424	183,725	368	863,763
– Over time	38,211	–	–	–	38,211
	646,457	71,424	183,725	368	901,974

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.

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 Group undertakes activities that significantly affect the trademark to which the customer has the right to use, and the use of the Group's trademark exposes the customer to the effects of the Group's activities without transfer any good or service to the customer.

Provision of new media marketing services

The Group is engaged in the provision of new media marketing services for various types of products. Performance based new media marketing refers to the form of marketing which is displayed on we-media, which are mainly online accounts registered by their users having the traffic to publish marketing products (including text, pictures, etc.) to the public. The Group normally acquires the advertising traffic of different online platforms from the suppliers and places the marketing products provided by the customers in the appropriate we-media platforms (such as Douyin) which can target the interests of their subscribers.

In the provision of new media marketing services, management of the Group makes the judgment that the Group is acting as a principal instead of an agent as the Group has control over the goods or services from the third parties before transferring to the customers, after considering the following factors: (a) the Group has the discretion to direct the use of the right to service from third parties either by fulfilling its contracted performance obligation with its customer or to use such service itself and (b) the Group has the right to obtain substantially all economic benefits from the right to the goods or services from the third parties. Normally, the payment term for the contract is 90 days after the number of specified actions is agreed with customers.

Sales of E-commerce goods

In the sales of E-commerce goods, management of the Group makes the judgment that the Group is acting as a principal instead of an agent as the Group has control over the goods or services from the third parties before transferring to the customers, after considering the following factors: (a) the Group has the discretion to direct the use of the right to service from third parties either by fulfilling its contracted performance obligation with its customer or to use such service itself and (b) the Group has the right to obtain substantially all economic benefits from the right to the goods or services from the third parties.

Contracts with customers with unsatisfied performance obligations on the above-mentioned revenue have original expected duration of one year of less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 selling gold and jewellery products in Mainland China;

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

iii) New media marketing service business in Mainland China.

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

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 2023

	Reportable segments					
	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	New media marketing service business in Mainland China HK$'000	Total HK$'000	Other (Note) HK$'000	Consolidated HK$'000
REVENUE						
External sales	530,486	88,028	183,802	802,316	1,976	804,292
RESULTS						
Segment (loss)/profit	(18,177)	(7)	3,494	(14,690)	–	(14,690)
Unallocated other income						6,209
Unallocated corporate staff and directors' salaries						(25,206)
Other unallocated corporate expenses						(15,898)
Advertising, promotion and business development expenses						(19,286)
Change in fair value of derivatives embedded in convertible bonds						(219)
Exchange loss, net						(11,388)
Unallocated finance costs						(77,918)
Loss before taxation						(158,396)
Income tax credit						2,677
Loss for the year						(155,719)

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 30 June 2022

	Reportable segments					
	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	New media marketing service business in Mainland China HK$'000	Total HK$'000	Other (Note) HK$'000	Consolidated HK$'000
REVENUE						
External sales	646,457	71,424	183,725	901,606	368	901,974
RESULTS						
Segment (loss)/profit	(15,277)	(1,068)	1,981	(14,364)	–	(14,364)
Unallocated other income						3,091
Unallocated corporate staff and directors' salaries						(27,437)
Other unallocated corporate expenses						(13,268)
Advertising, promotion and business development expenses						(20,973)
Loss on disposal of subsidiaries						(3)
Change in fair value of derivatives embedded in convertible bonds						2,290
Loss on early redemption of convertible bonds						(9,650)
Exchange loss, net						(8,313)
Unallocated finance costs						(41,132)
Loss before taxation						(129,759)
Income tax credit						12,955
Loss for the year						(116,804)

Note: Other represents other operating segment that is not reportable, which includes the provision of cloud computer solution services.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment revenues and results *(Continued)*

Segment (loss)/profit represents the (loss)/profit of each segment without allocation of unallocated other income, advertising, promotion and business development expenses, unallocated corporate staff and directors' salaries, loss on disposal of subsidiaries, change in fair value of derivatives embedded in convertible bonds, loss on early redemption of convertible bonds, net exchange loss, other unallocated corporate expenses, unallocated finance costs and income tax credit. 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 2023

	Reportable segments			
	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	New media marketing service business in Mainland China HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	505,334	106,994	26,652	638,980
Intangible assets				168,066
Derivative component of convertible bonds				9,577
Deferred tax assets				22,795
Pledged bank deposits				864,396
Bank balances and cash				71,229
Other corporate assets				5,250
Consolidated total assets				1,780,293
LIABILITIES				
Segment liabilities	136,377	11,288	22,213	169,878
Bank and other borrowings				1,715,211
Loan from a non-controlling shareholder of a subsidiary				100,000
Amount due to a director				3,394
Convertible bonds				87,452
Derivative component of convertible bonds				10,079
Income tax liabilities				122
Deferred tax liabilities				42,016
Other corporate liabilities				22,880
Consolidated total liabilities				2,151,032

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

As at 30 June 2022

	Reportable segments			
	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	New media marketing service business in Mainland China HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	571,862	121,845	13,236	706,943
Intangible assets				168,066
Derivative component of convertible bonds				1,791
Deferred tax assets				19,896
Pledged bank deposits				797,759
Bank balances and cash				84,599
Other corporate assets				7,204
Consolidated total assets				1,786,258
LIABILITIES				
Segment liabilities	136,653	9,586	11,097	157,336
Bank and other borrowings				1,563,500
Loan from a non-controlling shareholder of a subsidiary				100,000
Convertible bonds				81,072
Derivative component of convertible bonds				1,979
Income tax liabilities				320
Deferred tax liabilities				42,016
Other corporate liabilities				19,075
Consolidated total liabilities				1,965,298

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, derivative component of convertible bonds, 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, loan from a non-controlling shareholder of a subsidiary, amount due to a director, 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 2023

	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	New media marketing service business in Mainland China 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	9,816	44	68	381	10,309
Additions of right-of-use assets	14,962	–	–	1,927	16,889
Depreciation of property, plant and equipment	8,640	736	46	661	10,083
Depreciation of right-of-use assets	10,287	2,229	799	2,734	16,049
Loss on disposal of property, plant and equipment	43	–	–	–	43
Written off of property, plant and equipment	–	–	–	15	15
Finance costs	886	141	88	77,918	79,033

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Other entity-wide segment information *(Continued)*

For the year ended 30 June 2022

	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	New media marketing service business in Mainland China 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	9,218	32	28	431	9,709
Additions of right-of-use assets	11,768	9,694	1,740	403	23,605
Depreciation of property, plant and equipment	10,285	839	2	334	11,460
Depreciation of right-of-use assets	8,791	4,267	139	201	13,398
Loss on disposal of property, plant and equipment	618	36	–	442	1,096
Finance costs	835	265	18	41,132	42,250

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

b) Segment information *(Continued)*

Geographical information

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

For the year ended 30 June 2023

	Non-current assets HK$'000	**Revenue from external customers HK$'000**
Mainland China	**26,290**	**716,264**
Hong Kong	**4,449**	**88,028**
	30,739	**804,292**

For the year ended 30 June 2022

	Non-current assets HK$'000	Revenue from external customers HK$'000
Mainland China	24,225	830,550
Hong Kong	8,366	71,424
	32,591	901,974

No single customer during the years ended 30 June 2023 and 2022 contributed over 10% of the total revenue of the Group.

7. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Interest income from bank deposits	**5,298**	2,889
COVID-19-related rent concessions received (Note 15)	**–**	27
Government grants (note)	**1,366**	1,605
Interest income from rental deposits	**294**	232
Gain on modification of lease	**103**	193
Sundry income	**3,448**	2,546
	10,509	7,492

Note: Government grants mainly represent subsidies received in connection with the support from the Anti-epidemic Fund of the Government of Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all funding on paying wages to the employees. At 30 June 2023 and 2022, there is no unfulfilled condition or contingencies relating to the government grant.

8. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interests on:		
Bank and other borrowings	**74,241**	32,655
Loans from a non-controlling shareholder of a subsidiary	**–**	1,163
Lease liabilities	**1,429**	1,467
Effective interest on convertible bonds (Note 21(a))	**3,363**	6,965
Total interest expense on financial liabilities not at fair value through profit or loss	**79,033**	42,250

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2023 HK$'000	2022 HK$'000
Auditor's remuneration	**2,420**	2,270
Cost of inventories recognised as an expense	**454,623**	525,326
Depreciation of property, plant and equipment	**10,083**	11,460
Depreciation of right-of-use assets	**16,049**	13,398
Exchange loss, net	**11,388**	8,313
Loss on disposal of property, plant and equipment	**43**	1,096
Written off of property, plant and equipment	**15**	–
Lease payments not included in the measurement of lease liabilities	**35,652**	47,952
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	**124,261**	124,432
– Retirement benefit costs	**7,741**	7,008
	132,002	131,440
Allowance of inventories, net (included in cost of sales)	**2,618**	1,407

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a) Directors' emoluments

The emoluments paid or payable to the directors of the Company, pursuant to the applicable Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, were as follows:

	For the year ended 30 June 2023				
Name of director	**Fees**	**Salaries, allowances and benefits in kind**	**Retirement benefit costs**	**Discretionary or performance-based bonuses**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Executive directors					
Mr. Li Ning ("Mr. Li")	**–**	**1,440**	**18**	**–**	**1,458**
Mr. Wang Chaoguang ("Mr. Wang")	**–**	**960**	**14**	**–**	**974**
Ms. Dai Wei (note)	**–**	**303**	**5**	**–**	**308**
Non-executive director					
Mr. Hu, Hongwei	**720**	**–**	**18**	**–**	**738**
Independent non-executive directors					
Dr. Fan Anthony Ren Da	**360**	**–**	**–**	**–**	**360**
Dr. Loke, Yu Hoi Lam	**360**	**–**	**–**	**–**	**360**
Mr. Chan Kim Sun	**300**	**–**	**–**	**–**	**300**
	1,740	**2,703**	**55**	**–**	**4,498**

	For the year ended 30 June 2022				
Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefit costs	Discretionary or performance-based bonuses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Li	–	1,440	18	–	1,458
Mr. Wang	–	960	–	–	960
Ms. Dai Wei (note)	–	1,320	18	–	1,338
Non-executive director					
Mr. Hu, Hongwei	720	–	18	–	738
Independent non-executive directors					
Dr. Fan Anthony Ren Da	360	–	–	–	360
Dr. Loke, Yu Hoi Lam	360	–	–	–	360
Mr. Chan Kim Sun	300	–	–	–	300
	1,740	3,720	54	–	5,514

Note: Resigned as executive director on 23 September 2022.

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

a) Directors' emoluments *(Continued)*

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

The non-executive director's emolument shown above was for his service as director of the Company or its subsidiaries.

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

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

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

b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, one (2022: two) was a director of the Company whose emolument is included in Note 10(a) above.

The emoluments of the remaining four (2022: three) individuals are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries	**7,417**	6,485
Bonuses	**361**	536
Retirement benefit costs	**72**	54
	7,850	7,075

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

	2023 **Number of employees**	2022 Number of employees
Emolument bands		
Less than HK$1,000,000	**1**	–
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
	4	3

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

11. INCOME TAX CREDIT

	2023 HK$'000	2022 HK$'000
Current tax:		
PRC Enterprise Income Tax	**222**	2,478
PRC Withholding Tax		
– current year	**–**	–
– over-provision in prior years	**–**	(9,122)
	222	(6,644)
Deferred taxation (Note 19)	**(2,899)**	(6,311)
	(2,677)	(12,955)

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

Pursuant to《關於實施小微企業普惠性稅收減免政策的通知》(Caishui [2019] No. 13) issued in 2019, certain subsidiaries qualifying as Small and Micro Enterprises whose annual taxable income is less than RMB1.00 million, 25% of the amount will be reduced, and the PRC Enterprise Income Tax will be at the tax rate of 20%; for the portion of annual taxable income exceeding RMB1.00 million but not exceeding RMB3.00 million, 50% of the amount will be reduced, and the PRC Enterprise Income Tax will be at the tax rate of 20%. Pursuant to《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(Caishui [2021] No. 12) issued in 2021, for the portion of annual taxable income less than RMB1.00 million for Small and Micro Enterprises, on the basis of the preferential policies stipulated in Article 2 of《關於實施小微企業普惠性稅收減免政策的通知》(Caishui [2019] No. 13) issued in 2019, the PRC Enterprise Income Tax will be reduced by half.

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 5% 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.

11. INCOME TAX CREDIT *(Continued)*

The income tax credit 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:

	2023 **HK$'000**	2022 HK$'000
Loss before taxation	**(158,396)**	(129,759)
Notional tax on loss before tax, calculated at rates applicable in the jurisdictions concerned (note)	**(27,706)**	(24,010)
Tax effect of income not taxable for tax purpose	**(3,029)**	(1,658)
Tax effect of expenses not deductible for tax purpose	**5,839**	10,996
Tax effect of tax losses not recognised	**22,486**	10,827
Tax effect of utilisation of tax losses previously not recognised	**(257)**	–
PRC withholding tax	**–**	(9,122)
Others	**(10)**	12
Income tax credit for the year	**(2,677)**	(12,955)

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 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER ORDINARY SHARE

	2023 **HK$'000**	2022 HK$'000
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per ordinary share (note (i))	**(89,744)**	(78,919)

	2023 **'000**	2022 '000
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share (notes (i) & (ii))	**269,672**	224,165

Notes:

i) The calculation of diluted loss per ordinary share for the years ended 30 June 2023 and 2022 did not assume the conversion of convertible bonds, since the conversion would result in an anti-dilutive effect on loss per share.

ii) For the years ended 30 June 2023 and 2022, the computation of diluted loss per ordinary share did not assume the exercise of share options because the share options had an anti-dilutive effect on the basic loss per ordinary share.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
As at 1 July 2021	79,832	40,931	1,150	121,913
Exchange realignment	(1,589)	(583)	(9)	(2,181)
Additions	6,619	2,815	275	9,709
Disposals	(20,453)	(5,517)	–	(25,970)
Written off	–	(61)	–	(61)
As at 30 June 2022 and 1 July 2022	**64,409**	**37,585**	**1,416**	**103,410**
Exchange realignment	**(4,137)**	**(1,558)**	**(48)**	**(5,743)**
Additions	**7,208**	**3,101**	**–**	**10,309**
Disposals	**–**	**(434)**	**–**	**(434)**
Written off	**(15,634)**	**(1,749)**	**–**	**(17,383)**
As at 30 June 2023	**51,846**	**36,945**	**1,368**	**90,159**
Accumulated depreciation and impairment				
As at 1 July 2021	67,975	33,728	504	102,207
Exchange realignment	(1,336)	(451)	(1)	(1,788)
Provided for the year	8,616	2,636	208	11,460
Eliminated upon disposals	(20,011)	(4,734)	–	(24,745)
Eliminated upon written off	–	(61)	–	(61)
As at 30 June 2022 and 1 July 2022	**55,244**	**31,118**	**711**	**87,073**
Exchange realignment	**(3,455)**	**(1,156)**	**(9)**	**(4,620)**
Provided for the year	**6,585**	**3,288**	**210**	**10,083**
Eliminated upon disposals	**–**	**(386)**	**–**	**(386)**
Eliminated upon written off	**(15,634)**	**(1,734)**	**–**	**(17,368)**
As at 30 June 2023	**42,740**	**31,130**	**912**	**74,782**
Carrying values				
As at 30 June 2023	**9,106**	**5,815**	**456**	**15,377**
As at 30 June 2022	9,165	6,467	705	16,337

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

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

15. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 30 June 2023	
Carrying amount	**15,362**
At 30 June 2022	
Carrying amount	16,254
For the year ended 30 June 2023	
Depreciation charge	**16,049**
For the year ended 30 June 2022	
Depreciation charge	13,398

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

	2023 HK$'000	2022 HK$'000
Expenses relating to short-term leases	**4,415**	4,470
Expenses relating to leases of low-value of assets, excluding short-term leases of low-value assets	**–**	24
Variable lease payments not included in the measurement of lease liabilities	**31,237**	43,458
Total cash outflow for leases (note)	**(52,844)**	(62,017)
Addition to right-of-use assets	**16,889**	23,605

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

Included in right-of-use assets as at 30 June 2023 are amounts related to fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to approximately HK$9,224,000 (2022: HK$7,282,000).

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 28% (2022: 6.5% to 25%) of sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in retail stores in Hong Kong, Macau and the PRC where the Group operates. The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

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

Variable lease payments *(Continued)*

For both years, the Group leases retail shops and office for its operations. Lease contracts are entered into for fixed term of 0.5 to 3 years (2022: 0.5 to 2 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 2023, the potential exposures to these future lease payments for extension options which the Group is not reasonably certain to exercise is approximately HK$2,526,000 (2022: HK$2,526,000).

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the years ended 30 June 2023 and 2022, there is no such triggering event.

Rent concessions

During the year ended 30 June 2022, lessors of the relevant retail stores provided rent concessions that occurred as a direct consequence of the COVID-19 pandemic to the Group through rent reductions ranging from 15% to 100% over 0.23 to 1 month.

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of approximately HK$27,000 were recognised as negative variable lease payments during the year ended 30 June 2022.

16. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Deposits paid under non-current assets represent:		
Rental deposits	**2,701**	1,826
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables from contracts with customers	**48,212**	46,218
Less: allowance for credit losses	**(520)**	(870)
	47,692	45,348
Rental deposits	**2,510**	2,213
Value-added tax receivables	**7,207**	11,987
Prepayment	**8,789**	8,245
Other receivables and deposits paid	**9,038**	6,389
	75,236	74,182

As at 1 July 2021, trade receivables from contracts with customers net of allowance for credit losses amounted to approximately HK$49,637,000.

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 (2022: up to 90 days) to its debtors.

Included in rental deposits and other receivables and deposits paid as at 30 June 2023 are amounts related to fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to approximately HK$1,363,000 (2022: HK$1,340,000).

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

	2023 HK$'000	2022 HK$'000
0-30 days	**36,844**	35,616
31-60 days	**5,671**	581
61-90 days	**3,448**	1,892
Over 90 days	**1,729**	7,259
	47,692	45,348

16. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Neither past due nor impaired	**42,887**	35,616
Past due but not impaired:		
1-30 days	**2,111**	581
31-60 days	**1,652**	1,892
61-90 days	**559**	1,430
Over 90 days	**483**	5,829
	47,692	45,348

As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$4,805,000 (2022: HK$9,732,000) which are past due as at the reporting date. Out of the past due balances, HK$483,000 (2022: HK$5,829,000) 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 2023 and 2022 are set out in Note 37 to the consolidated financial statements.

17. INTANGIBLE ASSETS

	2023 HK$'000	2022 HK$'000
Trademarks (note)	**168,066**	168,066

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.

As at 30 June 2023, management of the Group conducted impairment review on the cash-generating units which the trademarks belong to. The recoverable amounts of the cash-generating units 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 approximately 11% (2022: 11%). 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% (2022: 3%) growth rate. The key assumptions for the value in use calculations are discount rate and growth rate. The growth rate does not exceed the long-term average growth rate for the relevant industry. Based on the assessments, management of the Group expects the carrying amount of the trademarks to be recoverable and there is no impairment of the trademarks.

18. EQUITY INSTRUMENTS AT FVTOCI

	2023 HK$'000	2022 HK$'000
Unquoted equity instruments		
– Equity instruments at FVTOCI (note)	–	–

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

19. DEFERRED TAXATION

	2023 HK$'000	2022 HK$'000
Deferred tax assets	(22,795)	(19,896)
Deferred tax liabilities	42,016	42,016
	19,221	22,120

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
As at 1 July 2021	42,016	–	(4,160)	(1,023)	(6,677)	(1,725)	28,431
(Credited)/charged to profit or loss (Note 11)	–	(115)	309	56	(3,409)	(3,152)	(6,311)
As at 30 June 2022 and 1 July 2022	42,016	(115)	(3,851)	(967)	(10,086)	(4,877)	22,120
Charged/(credited) to profit or loss (Note 11)	–	107	273	68	(5,014)	1,667	(2,899)
As at 30 June 2023	42,016	(8)	(3,578)	(899)	(15,100)	(3,210)	19,221

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

19. DEFERRED TAXATION *(Continued)*

As at 30 June 2023, the Group has unused tax losses of approximately HK$1,261,488,000 (2022: HK$1,123,586,000) available to offset against future profits. Deferred tax asset has been recognised in respect of approximately HK$60,400,000 (2022: HK$40,345,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$1,201,088,000 (2022: HK$1,083,241,000) due to the unpredictability of future profit streams.

As at 30 June 2023, the Group had unused tax losses amounting to approximately HK$19,535,000 (2022: HK$22,836,000) and HK$124,570,000 (2022: HK$90,305,000) that will expire by 2026 (2022: 2025) and 2028 (2022: 2027) respectively and HK$1,117,383,000 (2022: HK$1,010,445,000) 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 approximately HK$71,900,000 (2022: HK$85,833,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

20. INVENTORIES

	2023 **HK$'000**	2022 HK$'000
Raw materials	**31,695**	35,515
Finished goods	**501,194**	567,424
	532,889	602,939

Inventories are measured at the lower of cost and net realisable value. The Group has recognised net allowance of approximately HK$2,618,000 (2022: HK$1,407,000) and included in "cost of sales".

21. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Convertible bonds

Convertible bonds due on 16 January 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). The conversion price of CB 2023 was adjusted from HK$0.15 per convertible bond to HK$1.5 per convertible bond upon the completion of Share Consolidation on 27 July 2021 (see Note 29(a)(i)). 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. Details on the above are set out in the circular of the Company dated 18 July 2019.

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.

As at 1 July 2021, the outstanding principal of CB 2023 was HK$79,950,000.

During the year ended 30 June 2022, the Group early redeemed CB 2023 in full with principal amount of HK$79,950,000, resulting a loss on early redemption of convertible bonds of approximately HK$9,650,000 recognised in the consolidated profit or loss and other comprehensive income.

Convertible bonds due on 12 November 2023 with principal amount of HK$52,000,000 ("CB 2023A") and due on 6 December 2023 with principal amount of HK$32,500,000 ("CB 2023B")

On 31 May 2021, the Company entered into a subscription agreement with a company incorporated in the BVI which is wholly owned by Mr. Wang (the "CB 2023A Holder") for the issuance of convertible bonds with aggregate principal amount of HK$52,000,000. On the same date, the Company entered into another subscription agreement with a company incorporated in the BVI which is an independent third party to the Group (the "CB 2023B Holder") for the issuance of convertible bonds with aggregate principal amount of HK$32,500,000. CB 2023A and CB 2023B are denominated in Hong Kong dollars which entitle CB 2023A Holder and CB 2023B Holder to convert them into ordinary shares of the Company at any time commencing on the issue date of convertible bonds and expiring on the date which is 5 business days prior to the maturity date, at a conversion price of HK$0.65 per convertible bond as adjusted for the effect of the completion of the Capital Reorganisation (as defined in Note 29(a)) on 27 July 2021 (subject to anti-dilutive adjustments).

Both CB 2023A and CB 2023B carry interests at 4% per annum and payable semi-annually on 30 June and 31 December each year, which shall mature on the second anniversary of the issue date. The issuances of CB 2023A and CB 2023B were completed on 12 November 2021 and 6 December 2021 respectively.

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

a) Convertible bonds *(Continued)*

Convertible bonds due on 12 November 2023 with principal amount of HK$52,000,000 ("CB 2023A") and due on 6 December 2023 with principal amount of HK$32,500,000 ("CB 2023B") *(Continued)*

CB 2023A Holder and CB 2023B Holder have the right to convert the whole or any part (in multiple of HK$1,000,000) 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 convertible bonds to be converted by the conversion price in effect on the date of conversion. In addition, the Company has the right to redeem the whole or any part of the outstanding principal amount of CB 2023A and CB 2023B from the issue date until the maturity date of convertible bonds.

Upon issuance of CB 2023A, amounts of approximately HK$51,977,000, HK$6,994,000 and HK$6,971,000 were recognised as liability component, derivative component embedded in CB 2023A (liability) and derivative component embedded in CB 2023A (asset), respectively.

Upon issuance of CB 2023B, amounts of approximately HK$32,501,000, HK$3,792,000 and HK$3,793,000 were recognised as liability component, derivative component embedded in CB 2023B (liability) and derivative component embedded in CB 2023B (asset), respectively.

During the years ended 30 June 2023 and 2022, no convertible bonds were converted by CB 2023A Holder and CB 2023B Holder, and the Company did not redeem any part of CB 2023A and CB 2023B.

As at 30 June 2023 and 2022, the outstanding principals of CB 2023A and CB 2023B were HK$52,000,000 and HK$32,500,000 respectively.

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

	CB 2023A		**CB 2023B**	
	At 30 June 2023	At 30 June 2022	**At 30 June 2023**	At 30 June 2022
Share price	**HK$0.44**	HK$0.22	**HK$0.44**	HK$0.22
Dividend yield	**0%**	0%	**0%**	0%
Expected volatility	**118.3%**	73.05%	**112.8%**	72.71%
Risk-free rate	**4.68%**	2.31%	**4.67%**	2.34%

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

a) Convertible bonds *(Continued)*

Convertible bonds due on 12 November 2023 with principal amount of HK$52,000,000 ("CB 2023A") and due on 6 December 2023 with principal amount of HK$32,500,000 ("CB 2023B") *(Continued)*

The movements of the liability components of convertible bonds are set out below:

	CB 2023 HK$'000	CB 2023A HK$'000	CB 2023B HK$'000	Total HK$'000
At 1 July 2021	71,917	–	–	71,917
Early redemption of convertible bonds	(70,300)	–	–	(70,300)
Issue of convertible bonds	–	51,977	32,501	84,478
Coupon interest accrued and included in other payables	(1,334)	(1,320)	(750)	(3,404)
Interest charged during the year (Note 8)	4,908	1,314	743	6,965
Exchange realignment	(5,191)	(2,035)	(1,358)	(8,584)
At 30 June 2022 and 1 July 2022	**–**	**49,936**	**31,136**	**81,072**
Coupon interest accrued and included in other payables	**–**	**(2,080)**	**(1,300)**	**(3,380)**
Interest charged during the year (Note 8)	**–**	**2,075**	**1,288**	**3,363**
Exchange realignment	**–**	**3,937**	**2,460**	**6,397**
At 30 June 2023	**–**	**53,868**	**33,584**	**87,452**

During the year ended 30 June 2023, the Group defaulted the payment of coupon interests of HK$2,080,000 (2022: HK$1,041,000) and HK$1,300,000 (2022: HK$661,000) to CB 2023A Holder and CB 2023B Holder respectively. Both CB 2023A Holder and CB 2023B Holder confirmed and rectified such default during the years ended 30 June 2023 and 2022. As at 30 June 2023, the outstanding interest payable due to CB 2023A Holder and CB 2023B Holder was approximately HK$ 3,121,000 (2022: HK$1,041,000) and HK$1,961,000 (2022: HK$661,000) respectively.

The following is an analysis of the liability components of convertible bonds for the financial reporting purpose:

	2023 **HK$'000**	2022 HK$'000
Current liabilities		
– CB 2023A	**53,868**	–
– CB 2023B	**33,584**	–
	87,452	–
Non-current liabilities		
– CB 2023A	**–**	49,936
– CB 2023B	**–**	31,136
	–	81,072

The effective interest rates of the liability components of CB 2023, CB 2023A and CB 2023B are 17.01%, 4.03% and 4.00% respectively.

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

b) Derivative components of convertible bonds

The movements of the derivative components of convertible bonds are set out below:

	Liabilities CB 2023 HK$'000	Assets CB 2023A HK$'000	Liabilities CB 2023A HK$'000	Assets CB 2023B HK$'000	Liabilities CB 2023B HK$'000	Total HK$'000
At 1 July 2021	3,239	–	–	–	–	3,239
Issue of convertible bonds	–	(6,971)	6,994	(3,793)	3,792	22
Change in fair value	(2,517)	5,807	(5,717)	3,005	(2,923)	(2,345)
Amortisation of deferred day one loss in profit or loss	55	–	–	–	–	55
	(2,462)	5,807	(5,717)	3,005	(2,923)	(2,290)
Exchange realignment	(777)	94	(98)	67	(69)	(783)
At 30 June 2022 and 1 July 2022	**–**	**(1,070)**	**1,179**	**(721)**	**800**	**188**
Change in fair value	**–**	**(4,512)**	**4,653**	**(2,949)**	**3,027**	**219**
Exchange realignment	**–**	**(166)**	**252**	**(159)**	**168**	**95**
At 30 June 2023	**–**	**(5,748)**	**6,084**	**(3,829)**	**3,995**	**502**

The following is an analysis of the derivative components of convertible bonds for financial reporting purpose:

	2023 HK$'000	2022 HK$'000
Current assets		
– CB 2023A	**(5,748)**	(1,070)
– CB 2023B	**(3,829)**	(721)
	(9,577)	(1,791)
Current liabilities		
– CB 2023A	**6,084**	1,179
– CB 2023B	**3,995**	800
	10,079	1,979

The loss on change in fair value of embedded derivative of the convertible bonds for the year ended 30 June 2023 of approximately HK$219,000 (2022: gain on change in fair value of HK$2,345,000) and amortisation of day one loss of approximately HK$Nil (2022: HK$55,000) were recognised as "Change in fair value of derivative embedded in convertible bonds" in the consolidated statement of profit or loss and other comprehensive income, of which fair value loss of approximately HK$219,000 (2022: HK$172,000) was related to derivative components of convertible bonds at 30 June 2023. The related interest expense of the liability component of the convertible bonds for the year ended 30 June 2023 amounted to approximately HK$3,363,000 (2022: HK$6,965,000), which was calculated using the effective interest method.

22. 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 approximately HK$864,396,000 (2022: HK$797,759,000) 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 earn interest at floating rates based on daily bank deposit rates. Pledged bank deposits carry interest at fixed rates ranging from 0.10% to 3.88% (2022: 0.0001% to 2.25%) per annum.

As at 30 June 2023 and 2022, 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 2023 are bank balances amounting to approximately HK$5,402,000 (2022: HK$4,046,000) which are denominated in currencies other than the functional currencies of the respective group entities.

23. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2023 **HK$'000**	2022 HK$'000
Trade payables	**31,106**	14,032
Deposits received	**5,000**	5,000
Franchisee guarantee deposits (note)	**33,188**	41,174
Salary and bonus payables	**46,981**	44,515
Other payables, accruals and other deposits	**36,577**	30,072
	152,852	134,793

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 (2022: up to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

Deposits received at 30 June 2023 amounting to approximately HK$5,000,000 (2022: HK$5,000,000) which is unsecured, interest bearing of 8% per annum, and repayable on demand (2022: unsecured, interest bearing of 8% per annum, and repayable on demand).

Included in trade payables as at 30 June 2023 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to approximately HK$938,000 (2022: HK$234,000).

Included in other payables, accruals and other deposits as at 30 June 2023 are other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK$23,000 (2022: HK$173,000).

Included in other payables, accruals and other deposits as at 30 June 2023 are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK$1,261,000 (2022: HK$2,628,000).

23. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED *(Continued)*

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

	2023 **HK$'000**	2022 HK$'000
0-30 days	**21,005**	14,011
31-60 days	**7,571**	7
61-90 days	**2,304**	1
Over 90 days	**226**	13
	31,106	14,032

24. CONTRACT LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Receipts in advance from franchisees and customers (note a)	**13,550**	14,347
Customer loyalty programmes (note b)	**821**	1,224
	14,371	15,571

Notes:

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

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

As at 1 July 2021, contract liabilities in respect of (i) receipts in advance from franchisees and customers; and (ii) customer loyalty programmes amounted to approximately HK$19,285,000 and HK$921,000 respectively.

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

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

	Receipts in advance from franchisees and customers HK$'000	**Customer loyalty programmes** HK$'000
For the year ended 30 June 2023		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**6,808**	**801**
For the year ended 30 June 2022		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	12,734	431

25. REFUND LIABILITIES

	2023 HK$'000	2022 HK$'000
Refund liabilities arising from right of return	**9,668**	9,130

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 is recognised for those products to be returned. The Group uses its accumulated historical experience to estimate the number of returns using the expected value method.

26. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**13,749**	11,214
Within a period of more than one year but not more than two years	**2,073**	4,963
Within a period of more than two years but not more than five years	**45**	740
	15,867	16,917
Less: Amount due for settlement within 12 months under current liabilities	**(13,749)**	(11,214)
Amount due for settlement after 12 months shown under non-current liabilities	**2,118**	5,703

The weighted average incremental borrowing rates applied to lease liabilities ranges from 6.52% to 8% (2022: 6.52% to 8%) per annum. Details of maturity of lease liabilities are set out in Note 37(b) to the consolidated financial statements.

Included in lease liabilities as at 30 June 2023 are amounts related to fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to approximately HK$9,386,000 (2022: HK$7,520,000).

27. LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	2023 HK$'000	2022 HK$'000
Loan from a non-controlling shareholder of a subsidiary classified as:		
– Non-current liabilities (note (a))	**100,000**	100,000

Notes:

(a) As at 30 June 2023, the loan from a non-controlling shareholder of a subsidiary of HK$100,000,000 (2022: 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.

(b) On 22 July 2020, the Group repaid the amount of loan principal amounting HK$27,000,000, together with the relevant accrued interest, to Luk Fook 3D Management Company Limited ("Luk Fook 3D Management"), a non-controlling shareholder of a subsidiary. Luk Fook 3D Management signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D Management released and discharged the Company from all of its liabilities and obligations owing to Luk Fook 3D Management. On the same date, the Group obtained a loan of HK$27,000,000 from Luk Fook 3D Management, which was unsecured, interest bearing of 18% per annum and repayable on 22 July 2021. During the year ended 30 June 2022, the Group fully repaid the outstanding loan principal of HK$27,000,000 and the associated loan interests.

Background and details of the deed of release in favour of the Company are disclosed in the Company's 2021 annual report.

28. BANK AND OTHER BORROWINGS

	2023 HK$'000	2022 HK$'000
Secured floating rate bank borrowings	**1,704,500**	1,563,500
Secured other borrowing		
– Independent third party	**10,000**	–
Unsecured fixed rate other borrowing		
– Independent third party	**711**	–
	1,715,211	1,563,500
Secured	**1,714,500**	1,563,500
Unsecured	**711**	–
	1,715,211	1,563,500
Carrying amounts repayable:		
Within one year*	**10,711**	–
Carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities)		
– Repayable within one year*	**1,704,500**	1,563,500
	1,715,211	1,563,500
Less: Amounts due within one year and shown under current liabilities	**(1,715,211)**	(1,563,500)
Amounts shown under non-current liabilities	**–**	–

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

Bank and other borrowings comprise:

	Notes	Maturity date	Effective interest rate 2023	Effective interest rate 2022	Carrying amount 2023 HK$'000	Carrying amount 2022 HK$'000
Bank borrowings:						
Secured HK$ bank loans	(a)	July 2023 (2022: July 2022)	**4.43%**	1.66%	**396,000**	396,000
Secured HK$ bank loans	(b)	July 2023 (2022: July 2022)	**4.58%**	1.85%	**900,000**	900,000
Secured HK$ bank loans	(c)	June 2024 (2022: June 2023)	**4.41%**	1.67%	**108,500**	108,500
Secured HK$ bank loans	(d)	July 2023 (2022: July 2022)	**4.45%**	1.68%	**300,000**	159,000
					1,704,500	1,563,500
Secured other borrowing:						
An independent third party	(e)	November 2023 (2022: N/A)	**24.70%**	N/A	**10,000**	–
Unsecured other borrowing:						
An independent third party	(f)	July 2023 (2022: N/A)	**3.65%**	N/A	**711**	–
					1,715,211	1,563,500

28. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

a) The bank loans are secured by pledged bank deposits and interest bearing at 1-month HIBOR plus 1.08% to 1.92% per annum.

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

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

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

e) As at 30 June 2023, the Group has a loan (the "MF Loan") in the principal sum of HK$10,000,000 granted by an independent third party money lender (the "MF Lender"). The MF Loan was secured by (i) the execution by the Company of the first priority debenture creating a fixed and floating charge over the undertaking, property and assets of the Company in favour of the MF Lender; (ii) the personal guarantee of Mr. Li; and (iii) the personal guarantee of Mr. Wang. The MF Loan was interest bearing at fixed rates ranging from 24.00% to 28.71% per annum.

   On 28 July 2023, the Company obtained another loan from Luk Fook Finance Company Limited and the MF Loan was fully repaid and the MF debenture was released on the same date. Further details of the loan from Luk Fook Finance Company Limited is set out in Note 41(a) to the consolidated financial statements.

f) As at 30 June 2023, the loan was unsecured and interest bearing at a fixed rate of 3.65% per annum.

29. SHARE CAPITAL

	Notes	Number of shares	Amount
		'000	HK$'000
Authorised:			
Ordinary shares of HK$0.04 each at 1 July 2021		5,000,000	200,000
Share consolidation	a(i)	(4,500,000)	–
Share sub-division	a(iii)	199,500,000	–
Ordinary shares of HK$0.001 each at 30 June 2022, 1 July 2022 and 30 June 2023		200,000,000	200,000
Preference shares of HK$0.04 each at 1 July 2021		750,000	30,000
Share consolidation	a(i)	(675,000)	–
Share sub-division	a(iii)	29,925,000	–
Preference shares of HK$0.001 each at 30 June 2022, 1 July 2022 and 30 June 2023		30,000,000	30,000
Total:			
At 1 July 2021		5,750,000	230,000
Share consolidation	a(i)	(5,175,000)	–
Share sub-division	a(iii)	229,425,000	–
At 30 June 2022, 1 July 2022 and 30 June 2023		230,000,000	230,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.04 each at 1 July 2021		1,546,716	61,868
Share consolidation	a(i)	(1,392,044)	–
Share cancellation	a(ii)	–	(61,713)
Issue of shares	b, c	115,000	115
Ordinary shares of HK$0.001 each at 30 June 2022, 1 July 2022 and 30 June 2023		269,672	270

29. SHARE CAPITAL *(Continued)*

Notes:

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

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

The computation of loss per ordinary share for the year ended 30 June 2022 had been adjusted for the effect of Share Consolidation as if the Share Consolidation was completed on 1 July 2021.

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

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

The Share Consolidation, the Capital Reduction and the Share Sub-division (collectively referred to as the "Capital Reorganisation") were completed and effective on 27 July 2021.

b) On 31 May 2021, the Company entered into a subscription agreement with CB 2023A Holder, pursuant to which CB 2023A Holder agreed to subscribe 65,000,000 ordinary shares at the subscription price of HK$0.5 per share. The subscription was completed on 12 November 2021.

c) On 31 May 2021, the Company entered into a subscription agreement with CB 2023B Holder, pursuant to which CB 2023B Holder agreed to subscribe 50,000,000 ordinary shares at the subscription price of HK$0.5 per share. The subscription was completed on 6 December 2021.

No preference share was issued by the Company as at 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023.

30. 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. 2009 Share Option Scheme was lapsed on 22 January 2019 and since then, no share option could be granted thereunder.

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.

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

2009 Share Option Scheme *(Continued)*

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 2023, the number of options which remain outstanding under the 2009 Share Option Scheme was 1,050,000 (2022: 2,470,000) which, if exercise in full, representing 0.39% (2022: 0.92%) of the share capital of the Company.

30. 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:

Eligible person	Date of grant	Exercisable period	Adjusted exercise price after Share Consolidation HK$ (Note)	Number of share options: Outstanding as at 1.7.2021	Adjusted for Share Consolidation (Note)	Lapsed during the year	Outstanding as at 30.6.2022 And 1.7.2022	Lapsed during the year	Outstanding as at As at 30.6.2023
Directors	25.1.2013	28.2.2013 to 24.1.2023	9.152	150,000	(135,000)	–	**15,000**	**(15,000)**	**–**
	25.1.2013	28.2.2014 to 24.1.2023	9.152	150,000	(135,000)	–	**15,000**	**(15,000)**	**–**
	25.1.2013	28.2.2015 to 24.1.2023	9.152	150,000	(135,000)	–	**15,000**	**(15,000)**	**–**
	12.1.2018	12.1.2018 to 11.1.2028	3.232	10,500,000	(9,450,000)	–	**1,050,000**	**(875,000)**	**175,000**
				10,950,000	(9,855,000)	–	**1,095,000**	**(920,000)**	**175,000**
Employees	25.1.2013	28.2.2013 to 24.1.2023	9.152	250,000	(225,000)	(25,000)	**–**	**–**	**–**
	25.1.2013	28.2.2014 to 24.1.2023	9.152	250,000	(225,000)	(25,000)	**–**	**–**	**–**
	25.1.2013	28.2.2015 to 24.1.2023	9.152	250,000	(225,000)	(25,000)	**–**	**–**	**–**
				750,000	(675,000)	(75,000)	**–**	**–**	**–**
Consultants	27.2.2013	28.2.2014 to 24.1.2023	9.152	2,500,000	(2,250,000)	–	**250,000**	**(250,000)**	**–**
	27.2.2013	28.2.2015 to 24.1.2023	9.152	2,500,000	(2,250,000)	–	**250,000**	**(250,000)**	**–**
	12.1.2018	12.1.2018 to 11.1.2028	3.232	8,750,000	(7,875,000)	–	**875,000**	**–**	**875,000**
				13,750,000	(12,375,000)	–	**1,375,000**	**(500,000)**	**875,000**
				25,450,000	(22,905,000)	(75,000)	**2,470,000**	**(1,420,000)**	**1,050,000**
Exercisable at the end of the year				25,450,000			**2,470,000**		**1,050,000**
Weighted average exercise price				0.4674		9.152	**4.538**	**5.504**	**3.232**

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

Furthermore, upon the completion of the Share Consolidation on 23 July 2021, the number of share options was adjusted from 25,450,000 to 2,545,000 and the corresponding exercise price were adjusted from a range of HK$0.3232 to HK$0.9152 per option to HK$3.2320 to HK$9.1520 per share option.

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

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. As a result of completion of the Capital Reorganisation (as defined in Note 29(a)) of the Company in 2021, the maximum number of share options available for issue under the 2020 Share Option Scheme was adjusted to 15,467,160 shares, representing approximately 5.74% of the issued share capital of the Company as at the date of this annual report.

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

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

An offer for the grant of options must be accepted within twenty one days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the option grants is HK$1.00 per option. 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. The 2020 Share Option Scheme will remain in force for a period of 10 years commencing on the date of its adoption (i.e. 23 June 2020). Accordingly, the remaining life of the 2020 Share Option Scheme is approximately 8 years.

No share option was granted during the years ended 30 June 2023 and 2022 under the 2020 Share Option Scheme.

31. DISPOSAL OF SUBSIDIARIES

During the year ended 30 June 2022

During the year ended 30 June 2022, the Group disposed of its 100% equity interest in TP Properties (HK) Limited and its subsidiaries, namely 深圳勝力供應鏈技術有限公司 and 金尊影業(無錫)有限公司 (collectively the "Disposal Group") at HK$100 cash consideration. On the completion date of disposal, net assets of the Disposal Group comprised bank balances and cash of approximately HK$7,000 and other payables of approximately HK$4,000, resulting in a loss on disposal of subsidiaries of approximately HK$3,000 and net cash outflow from disposal of subsidiaries of approximately HK$7,000.

32. OTHER COMMITMENT

The Group was committed on 29 June 2022 to enter into a new lease of a retail shop in Hong Kong for the period from 1 August 2022 to 31 July 2023. The lease payments under which amounted to HK$990,000.

33. 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 2023 and 2022, the Group had no significant obligation apart from the contribution as stated above.

The Group had no forfeited contributions under the Mandatory Provident Fund Scheme and its retirement benefits schemes in the PRC and in Macau which may be used to reduce the existing level of contributions during the year ended 30 June 2023 (2022: Nil). There were also no forfeited contributions available to reduce future contributions at the end of the reporting period (2022: Nil).

34. PLEDGE OF ASSETS

As at 30 June 2023, the Group's bank deposits with carrying amounts of approximately HK$864,396,000 (2022: HK$797,759,000) were pledged to banks as securities to obtain the banking facilities granted to the Group.

As at 30 June 2023, the MF Loan was secured by the execution by the Company of the first priority debenture creating a fixed and floating charge over the undertaking, property and assets of the Company in favour of the MF Lender. The details of the MF Loan was disclosed in Note 28 to the consolidated financial statements.

Save as disclosed above, as at 30 June 2023, there was no charge created over the Group's assets.

35. RELATED PARTY DISCLOSURES

a) Related party transactions

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group has the following related party transactions during the year:

Relationship	Nature of transactions	2023 HK$'000	2022 HK$'000
A director of the Company	Interest expense	**69**	–
Shareholders of the Company	Coupon interest of convertible bonds	**3,380**	2,070
A non-controlling shareholder of a subsidiary	Interest expense	**–**	1,163
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	Purchase of gold and jewellery products	**3,102**	3,902
	Purchase return of gold and jewellery products	**248**	264
	Purchase of consumables	**–**	9
	License and service fee	**174**	209
	Repayment of lease liabilities	**9,506**	9,089
	Sale of jewellery	**1,495**	382
	Specialty fee	**110**	18
	Subcontracting fee	**67**	60
	Sales service fee	**109**	74
A company in which a director of a subsidiary has beneficial interest	License and service fee	**2,596**	2,628

During the year ended 30 June 2023, Mr. Li advanced a loan to the Group (see Note 35(b) below). Interest expenses of approximately HK$69,000 (2022: Nil) was incurred regarding this loan and was recorded in the line item of "bank and other borrowings" under finance costs (Note 8).

As at 30 June 2023, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK$1,075,000,000 (2022: 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, 23 and 27.

In addition, the particular of amount due to a director is disclosed as follows:

	2023 HK$'000	2022 HK$'000
Mr. Li	**3,394**	–

Other than the amount of approximately HK$1,575,000 (2022: Nil) which was unsecured, interest-free and repayable on demand, the remaining amount of approximately HK$1,819,000 (2022: Nil) was unsecured, interest bearing of 5% per annum and repayable within one year.

c) Compensation of key management personnel

Directors are key management personnel of the Company whose remuneration is disclosed in Note 10 to the consolidated financial statements.

36. 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 21, loan from a non-controlling shareholder of a subsidiary disclosed in Note 27, bank and other borrowings disclosed in Note 28, amount due to a director in Note 35(b) and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

37. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2023 **HK$'000**	2022 HK$'000
Financial assets		
Equity instruments at FVTOCI	**–**	–
Derivative financial instruments	**9,577**	1,791
Financial assets at amortised cost	**997,198**	936,577
Financial liabilities		
Derivative financial instruments	**10,079**	1,979
At amortised costs	**2,070,273**	1,886,038

b) Financial risk management objectives and policies

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

Market risk

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan from a non-controlling shareholder of a subsidiary (Note 27), fixed-rate other borrowings (Note 28) and fixed-rate convertible bonds (Note 21). The Group is also exposed to cash flow interest rate risk which is mainly concentrated on the fluctuation of HIBOR lending rate arising from the Group's HK$ denominated bank borrowings (Note 28).

37. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk (Continued)

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in 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.

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:

	2023	2022
	HK$'000	HK$'000
Increase/decrease in loss for the year	**8,523**	7,818

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$, RMB and United States Dollar ("US$") 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, amount due to a director, loan 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**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**11,242**	5,314	**226,792**	194,859
RMB	**201**	95	**–**	–
US$	**19,539**	3,262	**19,443**	2,756

37. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

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.

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.

	2023 **HK$'000**	2022 HK$'000
Loss for the year		
RMB against HK$	**10,778**	9,477
RMB against US$	**(5)**	(25)

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.

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.

37. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Price risk sensitivity analysis

The following tables detail the sensitivity of the Group to a 10% increase and decrease in the share price of the Company and the volatility of the share price of the Company respectively.

	Share price of the Company increased by 10%		**Share price of the Company decreased by 10%**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
(Decrease)/increase in loss				
Derivative embedded in convertible bonds				
– Assets	**(1,920)**	(571)	**2,382**	514
– Liabilities	**2,082**	669	**(2,499)**	(547)
	162	98	**(117)**	(33)

	Volatility of share price of the Company increased by 10%		**Volatility of share price of the Company decreased by 10%**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
(Decrease)/increase in loss				
Derivative embedded in convertible bonds				
– Assets	**(1,512)**	(699)	**1,195**	620
– Liabilities	**1,578**	743	**(1,223)**	(665)
	66	44	**(28)**	(45)

37. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

As at 30 June 2023 and 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position.

Trade receivables from contract with customers

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.

In addition, the Group performs impairment assessment under ECL model on trade receivables from contract with customers. Except for items that are subject to individual evaluation, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the external credit ratings for industry/Group's internal credit ratings/past due amounts/repayment frequency after due dates. Details of the quantitative disclosures are set out below in this note.

Other receivables

The directors of the Company have taken into account internal credit rating based on the historical default experience and credit quality and various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other financial assets occurring within their respective loss assessment time horizon. They are grouped based on shared credit risk characteristics by reference to the external credit ratings for industry/Group's internal credit ratings/past-due amounts/repayment frequency after due dates. For the purpose of impairment assessment, the ECL of these financial assets is measured under 12-month ECL. No ECL allowance has been recognised as the amount is not considered to be material.

37. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Bank balances and pledged bank deposits

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 rating	Description	Trade receivables from contract with customer	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

37. 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	
					2023	2022
					HK$'000	HK$'000
Financial assets at amortised cost						
Trade receivables from contract with customers	16	N/A (2021: N/A)	(Note 1)	Lifetime ECL-not credit-impaired (provision matrix)	**48,212**	46,218
Other receivables and deposits paid	16	N/A (2021: N/A)	(Note 2)	12-month ECL	**13,881**	8,871
Pledged bank deposits	22	A1 or above (2022: Aa3 or above)	N/A	12-month ECL	**864,396**	797,759
Bank balances	22	Baa3 or above (2022: Baa2 or above)	N/A	12-month ECL	**69,837**	83,391

Notes:

1. For trade receivables from contract with customers, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

   As part of the Group's credit risk management, the Group uses debtors' past due ageing to assess the impairment for its customers in relation to its operation because the customers of the Group consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from contract with customers which are assessed collectively as at 30 June 2023 and 2022 within lifetime ECL (not credit-impaired).

   For the year ended 30 June 2023

   Gross carrying amount

	Average loss rate	Trade receivables
		HK$'000
Current (not past due)	**0.84%**	**43,250**
1-30 days past due	**1.10%**	**2,135**
31-60 days past due	**0.18%**	**1,655**
61-90 days past due	**1.85%**	**569**
Over 90 days past due	**19.94%**	**603**
		48,212

37. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

1. *(Continued)*

For the year ended 30 June 2022

Gross carrying amount

	Average loss rate	Trade receivables HK$'000
Current (not past due)	0.30%	35,721
1-30 days past due	0.30%	583
31-60 days past due	0.31%	1,898
61-90 days past due	0.29%	1,434
Over 90 days past due	11.44%	6,582
		46,218

During the year ended 30 June 2023, the Group recognised a net reversal of impairment allowance for trade receivables from contract with customers of approximately HK$315,000 (2022: impairment allowance of HK$870,000), based on the collective assessment.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables from contract with customers:

	Lifetime ECL (not credit– impaired) HK$'000
As at 1 July 2021	–
Impairment losses recognised	870
As at 30 June 2022 and 1 July 2022	**870**
Impairment losses recognised	**361**
Impairment losses reversed	**(676)**
	(315)
Exchange realignment	**(35)**
As at 30 June 2023	**520**

The origination of new trade receivables from contract with customers net of those settled resulted in a decrease in loss allowance of approximately HK$315,000 (2022: an increase in loss allowance of HK$870,000).

2. 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 2023 and 2022.

37. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

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 2022, the Group had available unutilised revolving banking facilities of HK$586,500,000. During the year ended 30 June 2023, one of the banks informed the Group that the unutilised revolving banking facilities of HK$404,000,000 were withheld. Consequently, the Group had available unutilised revolving banking facilities of HK$41,500,000 as at 30 June 2023. 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$450,906,000 (2022: HK$172,628,000) and its total liabilities exceeded its total assets by HK$370,739,000 (2022: HK$179,040,000) as at 30 June 2023. 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.

Liquidity table

As at 30 June 2023	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities								
Trade and other payables	0.35	115,161	–	–	–	–	115,161	115,161
Franchisee guarantee deposits	–	–	–	33,188	–	–	33,188	33,188
Bank and other borrowings:								
– variable rate	4.51	1,704,500	–	–	–	–	1,704,500	1,704,500
– fixed rate	4.30	956	400	10,400	–	–	11,756	10,711
Lease liabilities	9.10	1,483	2,686	10,288	2,138	45	16,640	15,867
Convertible bonds	4.00	–	–	90,903	–	–	90,903	87,452
Amount due to a director	4.08	1,575	–	1,958	–	–	3,533	3,394
Loan from a non-controlling shareholder of a subsidiary – interest-free	–	–	–	–	100,000	–	100,000	100,000
		1,823,675	3,086	146,737	102,138	45	2,075,681	2,070,273

37. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

As at 30 June 2022	Weighted average interest rate %	On demand or in 30 days HK$'000	31 to 90 days HK$'000	91 to 365 days HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities								
Trade and other payables	0.88	83,375	–	–	–	–	83,375	83,375
Franchisee guarantee deposits	–	–	–	41,174	–	–	41,174	41,174
Bank borrowings:								
– variable rate	1.77	1,563,500	–	–	–	–	1,563,500	1,563,500
Lease liabilities	7.86	1,172	2,351	8,548	5,189	762	18,022	16,917
Convertible bonds	4.00	–	–	5,070	85,822	–	90,892	81,072
Loans from a non-controlling shareholder of a subsidiary								
– interest-free	–	–	–	–	100,000	–	100,000	100,000
		1,648,047	2,351	54,792	191,011	762	1,896,963	1,886,038

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 2023, the aggregate amounts of these bank loans amounted to HK$1,704,500,000 (2022: HK$1,563,500,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or in 30 days HK$'000	**Total undiscounted cash flow** HK$'000	**Carrying amounts** HK$'000
As at 30 June 2023			
Bank borrowings with a repayment on demand clause	**1,710,907**	**1,710,907**	**1,704,500**
As at 30 June 2022			
Bank borrowings with a repayment on demand clause	1,565,806	1,565,806	1,563,500

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.

37. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Interest rate benchmark reform

As listed in Note 28 to the consolidated financial statements, several of the Group's HIBOR bank borrowings will be subject to interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant interbank offered rates regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

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).

37. 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 2023 HK$'000	2022 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Equity instruments at FVTOCI – Unquoted equity instrument	**–**	–	Level 3	The fair value is estimated based on the underlying assets and liabilities, taking into consideration of discount for lack of marketability and minority discounts	Discount of lack of marketability and minority discount (Note a)
Call option derivatives embedded in convertible bonds	**9,577**	1,791	Level 3	Binomial 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)
Conversion option embedded in convertible bonds	**10,079**	1,979	Level 3	Binomial 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 call option derivative and the conversion option derivative. Details of the volatility of the share price of the Company used in the fair value measurement are set out in Note 21 to the consolidated financial statements.

Details of the share price and the volatility of the share price used in the fair value measurements are set out in Note 21 to the consolidated financial statements. The sensitivity analysis on these significant unobservable inputs is set out in "Price Risk" under Note 37(b) to the consolidated financial statements.

There is no transfer between different levels of the fair value hierarchy for the years ended 30 June 2023 and 2022.

37. FINANCIAL INSTRUMENTS *(Continued)*

c) Fair value measurements of financial instruments *(Continued)*

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.

38. 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 2021	5,533	1,504,000	8,300	127,000	75,156	1,719,989
Financing cash flows:						
– Interest paid	(14,212)	(26,557)	–	(1,284)	–	(42,053)
– Repayment of lease liabilities, including related interests	–	–	(14,065)	–	–	(14,065)
– Issue of convertible bonds	–	–	–	–	84,500	84,500
– Repayment of convertible bonds	–	–	–	–	(79,950)	(79,950)
– New bank and other borrowings raised	–	119,000	–	–	–	119,000
– Repayment of bank and other borrowings	–	(59,500)	–	–	–	(59,500)
– Repayment of loan from a non-controlling shareholder of a subsidiary	–	–	–	(27,000)	–	(27,000)
Total change from financing cash flows	(14,212)	32,943	(14,065)	(28,284)	4,550	(19,068)
Change in fair value of derivatives embedded in convertible bonds	–	–	–	–	(2,290)	(2,290)
COVID-19-related rent concessions received	–	–	(27)	–	–	(27)
Interest expenses	5,888	26,767	1,467	1,163	6,965	42,250
Addition of lease liabilities	–	–	23,030	–	–	23,030
Modification of lease	–	–	(1,607)	–	–	(1,607)
Loss on early redemption of convertible bonds	–	–	–	–	9,650	9,650
Coupon interest accrued and included in other payables	3,404	–	–	–	(3,404)	–
Interest accrued at 1 July 2021 and included in other payables	(121)	–	–	121	–	–
Interest accrued at 30 June 2022 and included in other payables	210	(210)	–	–	–	–
Exchange realignment	–	–	(181)	–	(9,367)	(9,548)
As at 30 June 2022	702	1,563,500	16,917	100,000	81,260	1,762,379

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Interest payables HK$'000	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Loan from a non-controlling shareholder of a subsidiary HK$'000	Amount due to a director HK$'000	Convertible bonds HK$'000	Total HK$'000
As at 1 July 2022	702	1,563,500	16,917	100,000	–	81,260	1,762,379
Financing cash flows:							
– Interest paid	–	(71,151)	–	–	–	–	(71,151)
– Repayment of lease liabilities, including related interests	–	–	(17,192)	–	–	–	(17,192)
– New bank and other borrowings raised	–	151,735	–	–	–	–	151,735
– Advances from a director	–	–	–	–	34,567	–	34,567
– Repayment to a director	–	–	–	–	(31,118)	–	(31,118)
Total change from financing cash flows	–	80,584	(17,192)	–	3,449	–	66,841
Change in fair value of derivatives embedded in convertible bonds	–	–	–	–	–	219	219
Interest expenses	399	73,773	1,429	–	69	3,363	79,033
Addition of lease liabilities	–	–	16,605	–	–	–	16,605
Modification of lease	–	–	(1,101)	–	–	–	(1,101)
Coupon interest accrued and included in other payables	3,380	–	–	–	–	(3,380)	–
Interest accrued at 1 July 2022 and included in other payables	(210)	210	–	–	–	–	–
Interest accrued at 30 June 2023 and included in other payables	3,692	(3,623)	–	–	(69)	–	–
Exchange realignment	–	767	(791)	–	(55)	6,492	6,413
As at 30 June 2023	7,963	1,715,211	15,867	100,000	3,394	87,954	1,930,389

39. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**56**	75
Loan to a subsidiary	**–**	–
Investments in subsidiaries	**179,293**	170,397
Equity instruments at FVTOCI	**–**	–
	179,349	170,472
Current assets		
Other receivables and deposits paid	**304**	684
Amounts due from subsidiaries	**–**	1,694
Derivative component of convertible bonds	**9,577**	1,791
Bank balances and cash	**1,031**	1,865
	10,912	6,034
Current liabilities		
Other payables, accruals and deposits received	**15,873**	8,454
Other borrowing	**10,000**	–
Derivative component of convertible bonds	**10,079**	1,979
Financial guarantee liabilities	**19,218**	18,320
Amounts due to subsidiaries	**–**	34,729
Amount due to a director	**1,819**	–
Convertible bonds	**87,452**	–
	144,441	63,482
Net current liabilities	**(133,529)**	(57,448)
Total assets less current liabilities	**45,820**	113,024
Non-current liabilities		
Convertible bonds	**–**	81,072
NET ASSETS	**45,820**	31,952
EQUITY		
Capital and reserves		
Share capital	**270**	270
Reserves (note)	**45,550**	31,682
TOTAL EQUITY	**45,820**	31,952

39. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: The movement of reserves are as follows:

	Share premium	Contributed surplus	Share option reserve	Investment revaluation reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2021	787,648	55,327	4,303	(6,008)	(25,941)	(860,187)	(44,858)
Loss for the year	–	–	–	–	–	(51,926)	(51,926)
Exchange difference arising on translation	–	–	–	–	9,368	–	9,368
Total comprehensive expense for the year	–	–	–	–	9,368	(51,926)	(42,558)
Capital Reorganisation (Note 29)	–	61,713	–	–	–	–	61,713
Issue of shares, net of transaction costs (Note 29)	57,385	–	–	–	–	–	57,385
Lapse of share options	–	–	(214)	–	–	214	–
At 30 June 2022	845,033	117,040	4,089	(6,008)	(16,573)	(911,899)	31,682
At 1 July 2022	**845,033**	**117,040**	**4,089**	**(6,008)**	**(16,573)**	**(911,899)**	**31,682**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**12,884**	**12,884**
Exchange difference arising on translation	**–**	**–**	**–**	**–**	**984**	**–**	**984**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**984**	**12,884**	**13,868**
Lapse of share options	**–**	**–**	**(2,560)**	**–**	**–**	**2,560**	**–**
At 30 June 2023	**845,033**	**117,040**	**1,529**	**(6,008)**	**(15,589)**	**(896,455)**	**45,550**

40. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 30 June 2023 and 2022 are as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Authorised ordinary share capital/registered capital	Issued and fully-paid ordinary share capital/ paid-up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a)		Attributable equity interest held		Principal activities
				2023	2022	**2023**	2022	
3D-GOLD Company Limited	Hong Kong	N/A (2022: N/A)	HK$100 (2022: 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 (2022: US$62,854,300)	US$62,854,300 (2022: US$62,854,300)	**100%**	100%	**50%***	50%*	Retailing and franchising operations of gold and jewellery products in Mainland China
3D-GOLD International Company Limited	Hong Kong	N/A (2022: N/A)	HK$2 (2022: HK$2)	**100%**	100%	**50%***	50%*	Holding of trademark
3D-GOLD Jewellery (HK) Limited	Hong Kong	N/A (2022: N/A)	HK$100 (2022: HK$100)	**100%**	100%	**50%***	50%*	Retailing of gold and jewellery products in Hong Kong
3D-GOLD Management Services Limited	Hong Kong	N/A (2022: N/A)	HK$1 (2022: HK$1)	**100%**	100%	**50%***	50%*	Provision of management services
Brand New Management Limited	British Virgin Islands	US$50,000 (2022: US$50,000)	US$1 (2022: US$1)	**100%**	100%	**100%**	100%	Investment holding
CGS	British Virgin Islands	US$50,000 (2022: US$50,000)	US$3,334 (2022: US$3,334)	**50%**	50%	**50%**	50%	Investment holding
China Gold Silver (JV) Company Limited	British Virgin Islands	US$50,000 (2022: US$50,000)	US$100 (2022: US$100)	**100%**	100%	**50%***	50%*	Investment holding
China Gold Silver (JV) HK Company Limited	Hong Kong	N/A (2022: N/A)	HK$100 (2022: HK$100)	**100%**	100%	**50%***	50%*	Investment holding
Faithful Master Investments Limited	Hong Kong	N/A (2022: N/A)	HK$1 (2022: HK$1)	**100%**	100%	**100%**	100%	Investment holding
Goldace Development Limited	British Virgin Islands	US$50,000 (2022: US$50,000)	US$100 (2022: US$100)	**100%**	100%	**100%**	100%	Investment holding
Great Tactic Limited	British Virgin Islands	US$50,000 (2022: US$50,000)	US$1 (2022: US$1)	**100%**	100%	**100%**	100%	Rental holding

40. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and operation	Authorised ordinary share capital/registered capital	Issued and fully-paid ordinary share capital/ paid-up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a)		Attributable equity interest held		Principal activities
				2023	2022	**2023**	2022	
Gold Ocean Jewellery Company Limited	Macau	MOP500,000 (2022: MOP500,000)	MOP500,000 (2022: MOP500,000)	**100%**	100%	**50%***	50%*	Dormant
Golden Zone International Limited	British Virgin Islands	US$50,000 (2022: US$50,000)	US$1 (2022: US$1)	**100%**	100%	**50%***	50%*	Investment holding
Jin Song Shu Properties Limited	Hong Kong	N/A (2022: N/A)	HK$100 (2022: HK$100)	**100%**	100%	**100%**	100%	Investment holding
Rainbow Genins Investments Limited	Hong Kong	N/A (2022: N/A)	HK$1 (2022: HK$1)	**100%**	100%	**100%**	100%	Investment holding
Special Link Limited	Hong Kong	N/A (2022: N/A)	HK$1 (2022: HK$1)	**100%**	100%	**50%***	50%*	Investment holding
Talent Wonder Limited	British Virgin Islands	US$50,000 (2022: US$50,000)	US$1 (2022: US$1)	**100%**	100%	**100%**	100%	Investment holding
Think Bright Global Limited	British Virgin Islands	US$50,000 (2022: US$50,000)	US$1 (2022: US$1)	**100%**	100%	**100%**	100%	Investment holding
Ultra Best Global Limited	British Virgin Islands	US$50,000 (2022: US$50,000)	US$50,000 (2022: US$50,000)	**100%**	100%	**100%**	100%	Investment holding
Value Management International Limited	Hong Kong	N/A (2022: N/A)	HK$1 (2022: HK$1)	**100%**	100%	**100%**	100%	Provision of new media marketing services in Mainland China
上海金至尊鑽石有限公司 (Note b)	PRC	RMB1,000,000 (2022: RMB1,000,000)	RMB1,000,000 (2022: 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 (2022: RMB1,000,000)	RMB1,000,000 (2022: RMB1,000,000)	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery produces in Mainland China:
至尊金業(深圳)有限公司 (Note b)	PRC	RMB1,000,000 (2022: RMB1,000,000)	RMB1,000,000 (2022: RMB1,000,000)	**100%**	100%	**50%***	50%*	Retailing & franchising operations of gold and jewellery produces in Mainland China

40. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and operation	Authorised ordinary share capital/registered capital	Issued and fully-paid ordinary share capital/ paid-up capital	Percentage of issued ordinary share capital/ registered capital held by the Group (Note a)		Attributable equity interest held		Principal activities
				2023	2022	2023	2022	
重慶金至尊珠寶有限公司 (Note b)	PRC	RMB5,000,000 (2022: RMB5,000,000)	RMB5,000,000 (2022: RMB5,000,000)	100%	100%	50%*	50%*	Sale of gold and jewellery
重慶金至尊營銷策劃有限公司 (Note b)	PRC	RMB5,000,000 (2022: RMB5,000,000)	RMB5,000,000 (2022: 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 (2022: RMB5,000,000)	RMB5,000,000 (2022: RMB5,000,000)	100%	100%	50%*	50%*	Design and wholesales of gold and jewellery products
臻福珠寶(天津)有限公司 (Notes b & e)	PRC	RMB500,000 (2022: N/A)	RMB500,000 (2022: N/A)	100%	N/A	50%*	N/A	Provision of management services (2022: N/A)
臻福珠寶(合肥)有限公司 (Notes b & e)	PRC	RMB500,000 (2022: N/A)	RMB500,000 (2022: N/A)	100%	N/A	50%*	N/A	Not yet commence business (2022: N/A)
臻福珠寶(北京)有限公司 (Note b)	PRC	RMB500,000 (2022: RMB500,000)	RMB500,000 (2022: RMB500,000)	100%	100%	50%*	50%*	Retailing of gold and jewellery products in Mainland China
北京智耘貳零科技有限公司 (Note b)	PRC	RMB6,000,000 (2022: RMB6,000,000)	RMB1,878,184 (2022: RMB1,810,000)	100%	100%	100%	100%	Provision of new media marketing services in Mainland China (2022: Not yet commence business)
上海智耘貳零網絡科技有限公司 (Notes b)	PRC	RMB5,000,000 (2022: RMB5,000,000)	Nil (Note d) (2022: Nil)	100%	100%	100%	100%	Not yet commence business (2022: Not yet commence business)
天津智耘貳零科技有限公司 (Note b)	PRC	RMB10,000,000 (2022: RMB10,000,000)	Nil (Note d) (2022: Nil)	51%	51%	51%	51%	Provision of new media marketing services in Mainland China
Champion Horizon Holdings Limited	British Virgin Islands	US$50,000 (2022: US$50,000)	US$1 (2022: US$1)	100%	100%	100%	100%	Investment holding
Champion Charming Limited (Note e)	Hong Kong	N/A (2022: N/A)	HK$1 (2022: HK$1)	100%	100%	100%	100%	Not yet commence business (2022: Not yet commence business)

* The entities are the wholly owned subsidiaries of CGS and regarded as subsidiaries of the Group (Note 5).

40. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

Notes:

a) The Company directly holds the interest in Brand New Management Limited and CGS. 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 these subsidiaries was not paid-up as at 30 June 2023 and/or 30 June 2022.

e) These companies were established during the year ended 30 June 2023.

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 interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
			2023	2022	**2023**	2022	**2023**	2022
					HK$'000	HK$'000	**HK$'000**	HK$'000
CGS	British Virgin Islands	PRC	**50%**	50%	**(68,976)**	(38,912)	**(182,867)**	(99,137)

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.

40. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY *(Continued)*

CGS and its subsidiaries

	2023 **HK$'000**	2022 HK$'000
Current assets	**1,512,263**	1,543,566
Non-current assets	**221,943**	220,607
Current liabilities	**(1,855,973)**	(1,715,508)
Non-current liabilities	**(243,966)**	(246,938)
Deficit attributable to owners of CGS	**(365,733)**	(198,273)
Revenue and other income	**628,594**	738,451
Expenses	**(767,221)**	(815,510)
Reversal of Impairment loss/(impairment loss) on trade receivables recognised under expected credit loss model	**676**	(765)
Loss for the year attributable to owners of CGS	**(137,951)**	(77,824)
Other comprehensive expense for the year attributable to owners of CGS	**(29,509)**	(10,795)
Total comprehensive expense for the year attributable to owners of CGS	**(167,460)**	(88,619)
Net cash inflow from operating activities	**10,472**	18,010
Net cash outflow from investing activities	**(77,032)**	(40,530)
Net cash inflow from financing activities	**54,680**	37,014
Net cash (outflow)/inflow	**(11,880)**	14,494

41. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the end of the reporting period:

a) On 28 July 2023, the Company, as borrower, entered into a loan agreement (the “Loan Agreement”) with Luk Fook Finance Company Limited (the “Lender”), being a fellow subsidiary of a non-controlling shareholder of CGS, as lender, pursuant to which the loan in the principal amount of HK$10,000,000 at an interest rate of 15% per annum was made available by the lender to the Company. The repayment date shall be the date falling four months from the date of drawdown. On 28 July 2023, the Company drew down HK$10,000,000. Details of the above arrangement are disclosed in the Company's announcement dated 28 July 2023.

   As security for the repayment obligation of the Company under the Loan Agreement, a debenture (the “Debenture”) was entered into by the Company in favour of the Lender on 28 July 2023. Pursuant to the Debenture, the Company agreed to charge as a first fixed and floating charge over all the undertaking, property and assets of the Company in favour of the Lender as security for the repayment and discharge of the secured obligations, i.e. all obligations and liabilities on the part of the Company under the Loan Agreement together with the interest accrued thereon thereunder.

b) The board of directors of the Company has been informed by Mr. Li and Mr. Wang that they and their respective controlled companies and Mr. Duan Guangzhi (“Mr. Duan”) and his controlled company entered the following transactions:

   (i) Luk Fook 3D Investment Holding Company Limited (“Luk Fook 3D”), a wholly-owned subsidiary of Luk Fook, Mr. Li and Eminent Rise Holdings Limited (“Eminent Rise”), a controlled corporation of Mr. Li, entered into a conditional sale and purchase agreement dated 28 July 2023 (“Eminent Rise Sale and Purchase Agreement”) in relation to the conditional sale of 21,000,000 shares (“Shares”) in the Company owned by Eminent Rise and Mr. Li to Luk Fook 3D for a total consideration of HK$14,809,900;

   (ii) Luk Fook 3D, Mr. Wang and Grace Fountain Holdings Limited (“Grace Fountain”), a controlled corporation of Mr. Wang entered into a conditional sale and purchase agreement dated 28 July 2023 (“Grace Fountain Sale and Purchase Agreement”) in relation to the conditional sale of 65,000,000 Shares and convertible bonds of the Company due on 12 November 2023 with principal amount of HK$52,000,000 owned by Grace Fountain to Luk Fook 3D for a total consideration of HK$56,000,000; and

   (iii) Luk Fook 3D, Mr. Wang and Excel Horizon Investments Limited (“Excel Horizon”), a controlled corporation of Mr. Duan entered into a conditional sale and purchase agreement dated 28 July 2023 (“Excel Horizon Sale and Purchase Agreement”) in relation to the conditional sale of the 50,000,000 Shares and convertible bonds of the Company due on 6 December 2023 with principal amount of HK$32,500,000 owned by Excel Horizon to Luk Fook 3D for a total consideration of HK$35,000,000.

c) On 28 July 2023, the Company and Mr. Li entered into an agreement (the “Disposal Agreement”), pursuant to which the Company conditionally agreed to sell, and Mr. Li conditionally agreed to purchase, the entire issued share capital of Brand New Management Limited, for a total consideration of HK$9,000,000 (subject to adjustment). Brand New Management Limited is a direct wholly-owned subsidiary of the Company.

Details of the above transactions (b) and (c) are set out in the joint announcement made by Luk Fook and the Company on 28 July 2023. Up to the date of the approval for issuance of the Group’s consolidate financial statements, the transactions (b) and (c) are yet to completed.

Subject to the fulfilment or waiver (where applicable) of all the conditions, completion of all the Eminent Rise Sale and Purchase Agreement, the Grace Fountain Sale and Purchase Agreement and the Excel Horizon Sale and Purchase Agreement shall take place simultaneously and also simultaneously with completion of the Disposal Agreement.

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				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**804,292**	901,974	855,820	804,863	1,460,953
Loss before taxation	**(158,396)**	(129,759)	(8,628)	(92,411)	(222,091)
Income tax credit/(expense)	**2,677**	12,955	(5,349)	(26,655)	(8,788)
Loss for the year	**(155,719)**	(116,804)	(13,977)	(119,066)	(230,879)
Total comprehensive expense for the year attributable to owners of the Company	**(110,792)**	(71,639)	(14,997)	(66,660)	(196,060)

	As at 30 June				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,780,293**	1,786,258	1,828,079	1,863,741	2,348,481
Total liabilities	**(2,151,032)**	(1,965,298)	(1,949,698)	(1,983,187)	(2,357,628)
Non-controlling interests	**179,016**	98,109	54,827	67,651	3,012
Deficit attributable to owners of the Company	**(191,723)**	(80,931)	(66,792)	(51,795)	(6,135)