



*Explore*  
OPPORTUNITIES

annual report **2022**





**“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 glamorous 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.**

	<b>Page (s)</b>
<b>Corporate Information</b>	<b>4</b>
<b>Major Events</b>	<b>6</b>
<b>Letter to the Shareholders</b>	<b>9</b>
<b>Management Discussion and Analysis</b>	<b>10</b>
<b>Profiles of Directors</b>	<b>19</b>
<b>Corporate Governance Report</b>	<b>22</b>
<b>Directors' Report</b>	<b>29</b>
<b>Independent Auditor's Report</b>	<b>39</b>
<b>Financial Statements:</b>	
<b>Consolidated Statement of Profit or Loss and     Other Comprehensive Income</b>	<b>44</b>
<b>Consolidated Statement of Financial Position</b>	<b>45</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>47</b>
<b>Consolidated Statement of Cash Flows</b>	<b>49</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>51</b>
<b>Financial Summary</b>	<b>144</b>

# 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*<sup>c</sup>

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<sup>a, b, c</sup>

Dr. Fan, Anthony Ren Da<sup>a, b, c</sup>

Mr. Chan Kim Sun<sup>a, b, c</sup>

<sup>a</sup> Member of the Audit Committee

<sup>b</sup> Member of the Remuneration Committee

<sup>c</sup> Member of the Nomination Committee

## COMPANY SECRETARY

Ms. Ho Suet Man Stella

## 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 <sup>Note</sup>

During the year ended 30 June 2022

Room 905, 9/F, Star House,

3 Salisbury Road, Tsim Sha Tsui,

Kowloon, Hong Kong

Note: The address of the principal place of business in Hong Kong has been relocated 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](http://www.hkrh.hk)

# Major Events



**AUGUST 2021**

Awarded the “Hong Kong’s Most Outstanding Services Awards 2021 – Jewellery” by CORPHUB.



**AUGUST 2021**

Awarded the “Services Awards 2021 – Jewellery” by Capital Weekly.



**SEPTEMBER 2021**

Awarded the “BOCHK Corporate Environmental Leadership Awards Programme – 2020 Eco Partner”.



**OCTOBER 2021**

Awarded the “Happy Company” by Promoting Happiness Index Foundation Hong Kong.



**OCTOBER 2021**

3DG Jewellery collaborated with Xu Kai to organize a live-streamed product launch for “Love Glitter” Collection.



# Major Events

## NOVEMBER 2021

Awarded the “Best Label Award 2020/2021 (Best Jewelry)” by Marie Claire.



## DECEMBER 2021

Awarded the “2021 Quality Service Retailer of the Year of Flagship Stores Bronze Award” by Hong Kong Retail Management Association.



## DECEMBER 2021

Awarded the “Brand Award” 2021 by TVB Weekly.



## DECEMBER 2021

Awarded the “ESG Awards 2021” by CAPITAL.



## DECEMBER 2021

3DG Jewellery has organized the Roadshow s of “3DG Jewellery x Feng Qi Luo Yang Collection” in PRC.



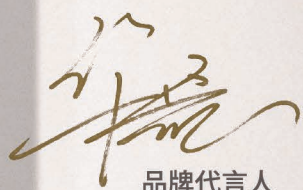
## JUNE 2022

Awarded the “Elite Jewellery Brand Awards 2021” by Ming Pao Weekly.



# 金至尊

3DG Jewellery



品牌代言人  
許凱先生



綻亮  
LOVE GLITTER



# 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 2022 (the “Year”).

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

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

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

**Mr. Li Ning**

*Chairman*

# Management Discussion and Analysis

## OVERVIEW

The ever-evolving COVID-19 pandemic continued to challenge the world. In the first half of 2022, the outbreaks of COVID-19 occurred in certain regions of Mainland China resulting in the reintroduction of stringent containment policies and lockdowns which impacted sales in those regions. In Hong Kong, sales performance saw recovery but this trend did not continue following the outbreak of the fifth wave of COVID-19. Amid the protracted COVID-19, the Group mitigated the current market quandary by expansion of its business into new media marketing services.

## RESULTS OF THE GROUP

The Group recorded a total turnover of approximately HK\$902 million for the Year, representing an increase of 5% as compared to the turnover of approximately HK\$856 million for the same period last year (“Last Year”). The loss for the Year attributable to the owners of the Company was approximately HK\$79 million compared to approximately HK\$15 million Last Year, representing an increase of 422%. This was mainly attributable to (i) turnaround of the exchange gain for the Last Year to exchange loss for the Year; and (ii) loss on early redemption of convertible bonds.

The Group’s selling and distribution expenses decreased to HK\$197 million (2021: HK\$221 million), whereas the percentage to total turnover decreased to 22% (2021: 26%) for the Year. Payment of lease liabilities amounted to HK\$52 million (2021: HK\$68 million). The percentage to turnover remained at a relatively low level. The Group has negotiated with landlords for rental relief or reductions in this difficult economic environment.

General and administrative expenses have increased by HK\$10 million to HK\$76 million (2021: HK\$66 million) as a result of reallocation of expenses from selling expenses for the Year.

The Group’s other gains and losses have turned to a negative of HK\$9 million for the Year, compared to a positive of HK\$30 million Last Year. Included in other gains and losses are exchange loss of HK\$8 million for the Year.

## Gold and Jewellery Retail business

The retail revenue was approximately HK\$680 million for the Year, representing a decrease of 13% from approximately HK\$783 million Last Year. Retailing of gold and jewellery products accounted for 75% (2021: 92%) of total turnover. Mainland China continued to be the Group’s major market, contributing 89% (2021: 88%) of retail sales for the Year. The retail revenue from Mainland China decreased by 12% to approximately HK\$608 million for the Year from approximately HK\$692 million Last Year. The Group’s retail revenue from Hong Kong and Macau market was approximately HK\$72 million for the Year, representing a decrease of 22% from approximately HK\$91 million Last Year. The Group recorded a decline in overall same-store growth of 17% (2021: growth of 14%), of which same-store growth in Mainland China was a decline of 18% (2021: growth of 24%) and in Hong Kong and Macau was a growth of 42% (2021: decline of 11%).

As at 30 June 2022, the Group had 3 points-of-sale in Hong Kong and 298 points-of-sale in Mainland China under the brand name “3D-GOLD.” Of the points-of-sale in Mainland China, 58 are self-operated points-of-sale and 240 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.

over

# 290

shops in China

298 shops in Mainland China  
3 shops in Hong Kong

<b>16</b> Anhui	<b>6</b> Henan	<b>1</b> Jilin	<b>3</b> Xinjiang
<b>15</b> Beijing	<b>8</b> Heilongjiang	<b>7</b> Liaoning	<b>3</b> Zhejiang
<b>3</b> Fujian	<b>3</b> Hong Kong	<b>5</b> Ningxia	
<b>1</b> Gansu	<b>20</b> Hubei	<b>6</b> Shanxi	
<b>72</b> Guangdong	<b>2</b> Hunan	<b>2</b> Shaanxi	
<b>11</b> Guangxi	<b>9</b> Inner Mongolia	<b>53</b> Shandong	
<b>18</b> Hebei	<b>23</b> Jiangsu	<b>1</b> Sichuan	
<b>1</b> Hainan	<b>1</b> Jiangxi	<b>11</b> Tianjin	

# Management Discussion and Analysis

## 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:

- “Shimmer Bear” Collection
- Gold Wedding Collection
- “Love Glitter” Collection
- “Golden Allure GA” Collection
- Pure Gold Chinese Zodiac Collection
- Classic Gold Collection
- “3DG Jewellery x Luo Yang” Collection
- “Love Lane” Collection
- “Love Rhythm” Collection
- “Cool Love” Collection
- Pure Gold Chinese Zodiac 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 “Brand Licensee Business Webinar (3rd quarter 2021)”
- Collaborated with Xu Kai to organize a live-streamed product launch for “Love Glitter” Collection
- Organized a “Brand Licensee Business Webinar (4th quarter 2021)”
- Organized the Roadshows of “3DG Jewellery x Luo Yang Collection”
- Organized a “Brand Licensee Business Webinar (1st quarter 2022)”

# Management Discussion and Analysis

- Organized a “Brand Licensee Business Webinar (2nd quarter 2022)”

## 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.

- “CORPHUB – Hong Kong’s Most Outstanding Services Awards 2021 – Jewellery“
- “Capital Weekly – Services Awards 2021 – Jewellery”
- “BOCHK Corporate Environmental Leadership Awards Programme 2020 – Eco Partner”
- “Promoting Happiness Index Foundation Hong Kong – Happy Company”
- “Marie Claire – Best Label Award 2020/2021 (Best Jewelry)”
- “HKRMA Certificate of Outlet Anti-Epidemic Measures Recognition”
- “Hong Kong Retail Management Association – 2021 Quality Service Retailer of the Year of Flagship Stores – Bronze Award”
- “TVB Weekly Brand Award 2021” by TVB Weekly
- “CAPITAL – ESG Awards 2021”
- “Elite Jewellery Brand Awards 2021” by Ming Pao Weekly

## New Media Marketing Service Business

The Internet economy has become one of the key growth drivers of the Chinese economy in recent years. With a growing number of smartphone users in China and driven by the boom in smartphone usage, the number of internet users in China is growing steadily, providing business opportunities for merchants, media platforms and media publishers. Given the distinctive features and functions offered by media platforms, they have grown rapidly and become the main channel for merchants to market and promote their brands and products. Media marketing service providers connect merchants with media publishers. Driven by the growing interest and popularity of leading media platforms, such as WeChat, TouTiao.com and TikTok, for internet users, merchants are spending more resources and marketing budgets on media than traditional websites, providing business opportunities for media marketing service providers. Moreover, catalyzed by the COVID-19 pandemic, users have shifted from traditional consumption patterns to online consumption, increasing consumer reliance on online channels and accelerating the digital marketing process. The construction of channels for all-area traffic has also been upgraded from graphic video promotion to live streaming, and merchants tend to place advertisements on the Internet. Considering the potential growth in the media marketing service industry, the Group has expanded its business into new media marketing services.

The Group’s new media marketing service provides Internet marketing technology for merchants. Through data collection and analysis, the Group offers solutions to merchants to improve the effectiveness and efficiency of their advertisements.

# Management Discussion and Analysis

The Group builds ties between clients (i.e., merchants) and media publishers through the use of technology and platforms, providing a combination of display and performance-based marketing technology services. Display marketing refers to a marketing method of showing advertising content in the form of images, videos, etc., while performance-based marketing refers to a type of online marketing that charges customers for specific actions (e.g., clicks, downloads or sales) taken by the Internet audience. Based on adequate communication with the client on the characteristics and needs of the product, the Group will make use of its business intelligence technology to analyse the personalities of target audience and develop corresponding distribution strategies so as to identify target audience on the Internet. The Group will also place online advertisements for clients by using an appropriate mix of media and advertising position, for example, displaying advertising content in the form of images (e.g., banners, inserts or graphics) and videos. Together with real-time recording, performance analysis, tracking and evaluation, the Group further optimizes the advertising process to enhance the marketing effect of client's advertisements, acquiring more users for our clients. The revenue from the new media marketing service business was approximately HK\$184 million (2021: nil).

## 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. According to the White Paper on the Development of Digital Economy in China published in April 2021, the scale of China's digital economy has reached RMB39.2 trillion in 2020. With the development of the metaverse ecosystem, there is huge scope for the development of new media business.

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. The Group is also continuously exploring opportunities in the new media marketing services market. Through a complete service chain consists of enhanced marketing strategy coverage rate, media placement and execution, results monitoring and optimization, precise marketing, traffic integration and other services, the Group is committed to building an integrated marketing platform from a fundamental integration of Internet traffic to a full range of precise digital marketing services.

## 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 Holding 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



# Management Discussion and Analysis

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:

	<b>Amount of net proceeds intended to be allocated</b> <i>(HK\$ million)</i>	<b>Actual utilized amount as of 30 June 2022</b> <i>(HK\$ million)</i>	<b>Unutilized amount as of 30 June 2022</b> <i>(HK\$ million)</i>	<b>Expected timelines for utilizing the remaining net proceeds</b> <i>Note 2</i>
<b>Repayment of indebtedness</b>				
Repayment of loan	13.50	(13.50)	–	N/A
Repayment of other borrowing	22.00	(22.00)	–	N/A
Repayment of deposits received	10.50	(7.00)	3.50	On or before 31 December 2022
Repayment of convertible bonds	80.00	(80.00)	–	N/A
	126.00	(122.50)	3.50	
<b>General working capital</b>	15.00	(15.00)	–	N/A
	141.00	(137.50)	3.50	

Note 1 As 30 June 2022, the unutilized net proceeds from the subscriptions were deposited with a licensed bank.

Note 2 The expected timelines for utilizing the remaining net proceeds is based on the best estimation made by the Group. It may be subject to further change based on the future development of the market condition.

# Management Discussion and Analysis

## 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 2022, the Group had total cash and cash equivalents and pledged bank deposits amounting to HK\$882 million (2021: HK\$863 million). The Group's net borrowing as at 30 June 2022 was HK\$862 million (2021: HK\$840 million), being total borrowing of HK\$1,745 million (2021: HK\$1,703 million) less pledged bank deposits and bank balances and cash of HK\$882 million (2021: HK\$863 million). After taking into account the gold inventories of HK\$285 million (2021: HK\$266 million), the Group's net borrowing as at 30 June 2022 was HK\$577 million (2021: HK\$574 million), being total borrowing less pledged bank deposits, bank balances and cash and gold inventories. As at 30 June 2022, the Group has available unutilised revolving banking facilities of HK\$587 million (2021: HK\$664 million).

The current ratio of the Group as at 30 June 2022 was 90% (2021: 93%), calculated on the basis of current assets of HK\$1,564 million (2021: HK\$1,619 million) over current liabilities of HK\$1,737 million (2021: HK\$1,733 million). The gearing ratio was 110% (2021: 107%), calculated on the basis of the total liabilities of HK\$1,965 million (2021: HK\$1,950 million) over total assets of HK\$1,786 million (2021: HK\$1,828 million).

### Capital Commitments

Capital commitments of the Group as at 30 June 2022 are set out in note 33.

### Pledged Assets

Pledged assets of the Group as at 30 June 2022 are set out in note 35.

### Contingent Liabilities and Guarantee

As at 30 June 2022, the Company had corporate financial guarantee amounting to HK\$1,075,000,000 (2021: 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 2022, the banking facilities utilised by the subsidiary was HK\$1,563,500,000 (2021: HK\$1,486,000,000). As at 30 June 2022, a loss allowance of HK\$18,320,000 (2021: HK\$12,435,000) 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 2022 and 2021, save as disclosed above, the Group and the Company did not have any material contingent liabilities.

# Management Discussion and Analysis

## 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

On 11 August 2022, the Company, Ultra Best Global Limited (the “Purchaser”), which is an indirect wholly-owned subsidiary of the Company, and two individuals (namely the “Vendor A” and the “Vendor B”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor A and the Vendor B have conditionally agreed to sell (i) the entire issued share capital of Meta Cosmos Limited (the “Target Company A”) and Pioneer Digital Technology Co., Limited (the “Target Company B”) respectively; and (ii) all obligations, liabilities and debts owing or incurred by the Target Company A to the Vendor A and by the Target Company B to the Vendor B (whether actual, contingent or deferred), at an aggregate consideration of HK\$15,587,000 (the “Consideration”). The Consideration shall be settled by way of allotment and issue of 53,934,320 ordinary shares of the Company at an issue price of approximately HK\$0.289 per share, in which 44,028,016 and 9,906,304 ordinary shares of the Company shall be allotted and issued to the Vendor A and the Vendor B respectively.

As at 11 August 2022, 天津智耘贰零科技有限公司 (“天津智耘”) is a non-wholly owned subsidiary of the Company in which the Group holds 51% of the registered capital of 天津智耘. While the Target Company A and the Target Company B hold 40% and 9% of the registered capital of 天津智耘 respectively. Upon the completion of the aforesaid acquisitions, 天津智耘 will become an indirect wholly-owned subsidiary of the Company.

As at the date of this report, the aforesaid acquisitions are not completed and are subject to the fulfillment of various conditions as stipulated in the Sale and Purchase Agreement by 31 December 2022 or such other date as the parties to the Sale and Purchase Agreement may agree.

## 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 2022.

## Foreign Exchange Exposure

For the Year, the Group earned revenue in HK\$, RMB and MOP and incurred costs in HK\$, RMB, US\$ and MOP. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any permanent or significant change in RMB against HK\$, may have possible impact on the Group’s results and financial positions.

## Employees and Remuneration Policy

As at 30 June 2022, the Group had 947 employees (2021: 982). 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.

# Management Discussion and Analysis

## SUPPLEMENTARY INFORMATION REGARDING THE QUALIFIED OPINION

### The Company's view and position as to the audit qualifications

The audit qualifications (the “2022 Audit Qualifications”) as disclosed in the independent auditor’s report for the year ended 30 June 2022 is relating to various limitations in evidence available regarding the loans receivables (the “Loan Receivables”) of Prosten Finance Limited (“PFL”), the then wholly-owned subsidiary of the Company, as at the date of the disposal (the “Disposal”) of PFL, i.e., 23 June 2021. The Loan Receivables were arising from the loans advanced by PFL in the aggregate principal amount of HK\$74,400,000 and the respective interest receivables of HK\$11,558,000 as at 30 June 2019. The Company’s independent auditors (the “Auditors”) considered that due to various limitations in evidence available regarding the Loans Receivables as at the date of the Disposal, they were unable to carry out satisfactory audit procedures to assure the accuracy of the gain from the Disposal during the year ended 30 June 2021, which caused the uncertainty of the opening balances for the consolidated financial statement for the year ended 30 June 2022. Details of the Loan Receivables and the audit qualifications in previous years kindly refer to the independent auditor’s report for the years ended 30 June 2019, 2020 and 2021.

In view of the 2022 Audit Qualifications, the Group has discussed with the Auditors prior to the publication of this annual report. The management was given to understand that the uncertainty of the opening balances for the consolidated financial statement for the year ended 30 June 2022 will not be carried forward to the year ending 30 June 2023. Hence, the management took the view that the Disposal shall not have consequential impact to the opening balances and corresponding figures of the consolidated financial statement for the year ending 30 June 2023.

### Impact of the 2022 Audit Qualifications on the Group’s consolidated financial position

The Group has discussed with the Auditors and understood that the 2022 Audit Qualification shall not have consequential impact to the opening balance and corresponding figures of the Group’s consolidated financial statements for the year ending 30 June 2023. As such, the Auditors expected the 2022 Audit Qualifications will be removed from the Group’s consolidated financial statements for the year ending 30 June 2023.

As the closing balance of the consolidated financial statement for the year ended 30 June 2022 did not contain uncertainties, and corresponding figures carried forward does not have any consequential impacts on the Group’s consolidated financial statements for the year ending 30 June 2023, the board (the “Board”) of directors (the “Directors”) of the Company considered the 2022 Audit Qualifications can be removed in the Group’s consolidated financial statements for the year ending 30 June 2023.

### Audit committee’s view on the qualified opinion

The audit committee of the Company (the “Audit Committee”) had reviewed the 2022 Audit Qualifications and also the management’s position and action plan of the Group to address the 2022 Audit Qualifications. The Audit Committee is in agreement with the management with respect to the 2022 Audit Qualifications and is of the view that the Group will be able to remove the 2022 Audit Qualifications for the financial year ending 30 June 2023.

# Profiles of Directors

The profiles of Directors as at 29 September 2022, the date of this annual report, are set out below:

## EXECUTIVE DIRECTORS

**Mr. Li Ning**, aged 37, 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 50, 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 43, 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 served 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 73, 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), TradeGo FinTech Limited (stock code: 8017), Tianjin Development Holdings Limited (stock code: 882) 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 Lamtex Holdings Limited (stock code: 1041) from 28 July 2015 to 23 March 2020, Tianhe Chemicals Group Limited (now delisted, former stock code: 1619) from May 2014 to 31 May 2020, 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 and Times Universal Group Holdings Limited (stock code: 2310) from 18 April 2016 to 1 September 2022. Save as mentioned, all these companies are listed on the main board of the Stock Exchange.

**Dr. Fan, Anthony Ren Da**, aged 62, 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 CGN New Energy Holdings Co., Ltd. (Stock Code: 1811) from 30 September 2014 to 26 June 2018 and 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.

## Profiles of Directors

**Mr. Chan Kim Sun**, aged 41, 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 April 2018, Mr. Chan has been 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). 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).

# 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.



# Corporate Governance Report

## 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 19 to 21 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
<b>Executive Directors</b>			
Mr. Li Ning, Chairman	5/5	1/1	1/1
Mr. Wang Chaoguang	3/5	1/1	1/1
Ms. Dai Wei ( <i>resigned on 23 September 2022</i> )	5/5	1/1	1/1
<b>Non-executive Director</b>			
Mr. Hu Hongwei	5/5	1/1	1/1
<b>Independent Non-executive Directors</b>			
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) Mr. Li Ning ceased to be a Director of 上海茲諾金融信息服務有限公司 (Shanghai Zno Financial Information Service Company Limited) and 深圳市前海普諾供應鏈有限公司 (Shenzhen Qianhai Puno Supply Chain Company Limited) following the deregistration.
- (2) Dr. Loke Yu alias Loke Hoi Lam ceased to be an independent non-executive Director of Crazy Sports Group Limited (stock code: 82) and Times Universal Group Holdings Limited (stock code: 2310) on 26 May 2022 and 1 September 2022 respectively.
- (3) Dr. Fan, Anthony Ren Da has obtained a PhD degree in Economics. He was appointed as a non-executive Director of Hilong Holding Limited (stock code: 1623) on 25 July 2022.

## 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.

# Corporate Governance Report

## 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:

<b>Remuneration Committee</b>	<b>Attendance/Number of meeting</b>
<b>Independent Non-executive Directors</b>	
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:

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

# Corporate Governance Report

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:

<b>Audit Committee</b>	<b>Attendance/Number of meetings</b>
<b>Independent Non-executive Directors</b>	
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 2022 and the Group's interim report for the 6 months ended 31 December 2021 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;

# Corporate Governance Report

(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:

<b>Auditor</b>	<b>Services rendered</b>	<b>Fees paid/payable</b> HK\$
Crowe (HK) CPA Limited	Audit services	2,270,000
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.

# Corporate Governance Report

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

## SHAREHOLDERS' RIGHTS

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

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

Shareholders may send their enquires 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 effective 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.

# 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 41 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 44.

The Board has resolved not to recommend a final dividend in respect of the year ended 30 June 2022 to the holders of ordinary shares of the Company.

## BUSINESS REVIEW

A fair review and the outlook of the Group's business are provided in the Letter to Shareholders on page 9 and the Management Discussion and Analysis on pages 10 to 18 of this annual report. The financial risk management objectives and policies of the Group are set out in note 38 to the consolidated financial statements.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company will publish an Environmental, Social and Governance Report within five months after the end of the financial year ended 30 June 2022.

## 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 30 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 40 to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVE

As at 30 June 2022, the Company did not have distributable reserves to shareholders (2021: nil).

# Directors' Report

## 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) <sup>Note</sup>

### 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. Li Ning and Mr. Hu Hongwei shall retire from office at the forthcoming annual general meeting and, being eligible, offers themselves 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 2022, 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

Name of director	Number of ordinary shares			Total	% of issued ordinary shares
	Personal interests	Family interests	Corporate interests		
Mr. Li Ning	157,000	–	21,000,000 <sup>(Note a)</sup>	21,157,000	7.85%
Mr. Wang Chaoguang	–	–	65,000,000 <sup>(Note b)</sup>	65,000,000	24.10%
Ms. Dai Wei (resigned on 23 September 2022)	–	–	–	–	–
Mr. Hu Hongwei	–	–	–	–	–
Dr. Loke Yu alias Loke Hoi Lam	–	–	–	–	–
Dr. Fan, Anthony Ren Da	–	–	–	–	–
Mr. Chan Kim Sun	–	–	–	–	–



# Directors' Report

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

<b>Name of director</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>% of issued ordinary shares</b>
Ms. Dai Wei (resigned on 23 September 2022)	Beneficial owner (Note)	875,000	0.32%
Dr. Loke Yu alias Loke Hoi Lam	Beneficial owner (Note)	87,500	0.03%
Dr. Fan, Anthony Ren Da	Beneficial owner (Note)	132,500	0.04%

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 2022.

## SHARE OPTIONS AND CONVERTIBLE BONDS

Particulars of the Company's share option scheme and convertible bonds are set out in notes 31 and 22 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 2022, 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.

# Directors' Report

## (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.

# Directors' Report

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

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>% of issued ordinary shares</b>
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 2022.

## 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 36 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 2022, the licence fee charged by GS Tech to CGS pursuant to the Franchise Agreement was approximately HK\$80,000.

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 2022, the service fee charged by GS Tech to CGS pursuant to the Service Agreement was approximately HK\$2,548,000.

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.

### 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 jewellery and gold ornaments, gem-set jewellery, 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.

# Directors' Report

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 2022, the supply by CGS Group to Maxigood Group pursuant to the Supply Agreement amounted to approximately HK\$382,000.

## 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 2022, the purchase by CGS and its subsidiaries from Maxigood and its fellow subsidiaries pursuant to the Purchase Agreement amounted to approximately HK\$3,902,000.

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

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

## CONNECTED TRANSACTIONS

On 13 August 2021, 3D-Gold Management Services Limited (“CGS 3DM”), an indirect wholly-owned subsidiary of CGS, as tenant, entered into a tenancy agreement (“HK Tenancy Agreement”) with Ultra Power Corporation Limited (“Ultra Power”), as landlord, in relation to the leasing of the premises for use as office at Units 1506-1511, Metropole Square, No.2 On Yiu Street, Shatin, New Territories, Hong Kong for a term of three years commencing from 1 August 2021 to 31 July 2024. The monthly rental payable by CGS 3DM to Ultra Power under the HK Tenancy Agreement is HK\$140,000. Pursuant to HKFRS 16, the Group is required to recognise the tenancy of the premises under the HK Tenancy Agreement as the right-of-use assets, thus the entering into of the HK Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of the right-of-use asset recognised by the Group under the HK Tenancy Agreement was approximately HK\$4,413,000. As Ultra Power is an indirectly wholly-owned subsidiary of Luk Fook Holdings, a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The transactions contemplated under the HK Tenancy Agreement therefore constituted connected transactions on the part of the Company under Chapter 14A of the Listing Rules. Details of the above was set out in the announcement of the Company dated 22 October 2021.

# Directors' Report

On 15 November 2021, 至尊金業(深圳)有限公司 (transliterated as 3D-Gold (Shenzhen) Co., Ltd) (“3D 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 14 months from 1 November 2021 to 31 December 2022. The monthly rental payable by 3D Shenzhen to the respective landlords under the two Luk Fook PRC Tenancy Agreements were approximately RMB175,000 and RMB173,000 respectively.

On 15 November 2021, 3D Shenzhen, as tenant, entered into two 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 Unit 1807-1809, Block B, IBC, Buxin St 3008, Luohu District, Shenzhen, PRC for a term of approximately twenty-eight months commencing from 19 August 2021 to 31 December 2023. The monthly rental payable by 3D Shenzhen to the associates of the Wong’s Family Trust were approximately RMB25,000 and RMB53,000 respectively.

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 person 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 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 asset by the Group under the Listing Rules. The value of the right-of-use asset recognised by the Group under the PRC Tenancy Agreements were, approximately HK\$7,071,000. Details of the above was set out in the announcement of the Company dated 15 November 2021.

## RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year set out in note 36 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.

# Directors' Report

## 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 31 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 2022.

## DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK\$19,000 (2021: HK\$19,000).

## MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest suppliers of the Group accounted for 72% of the Group's purchases and 43% 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 5% 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.

# Directors' Report

## EXPOSURE TO BORROWERS AND OTHER SPECIFIC CIRCUMSTANCES THAT REQUIRE DISCLOSURE

Details of which are set out in note 29 to the consolidated financial statements.

## APPOINTMENT OF NEW EXTERNAL AUDITOR

The Group's consolidated financial statements for the year ended 30 June 2019 were audited by Deloitte Touche Tohmatsu. Crowe (HK) CPA Limited was appointed as the external auditor of the Company to fill the vacancy following the retirement of Deloitte Touche Tohmatsu as the independent auditor of the Company at the annual general meeting of the Company held on 23 June 2020. The Group's consolidated financial statements for the year ended 30 June 2020 and 2021 were audited by Crowe (HK) CPA Limited. Save as disclosed, there were no other changes in the Company's independent auditor in the past three years. The Group's consolidated financial statements for the year ended 30 June 2022 were audited by Crowe (HK) CPA Limited. A resolution will be proposed at the 2022 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 2022



# Independent Auditor's Report



國富浩華 (香港) 會計師事務所有限公司  
**Crowe (HK) CPA Limited**

香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## 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)*

### QUALIFIED OPINION

We have audited the consolidated financial statements of Hong Kong Resources Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 143, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR QUALIFIED OPINION

As disclosed in note 21 to the consolidated financial statements, the predecessor auditor of the Company (the "Predecessor Auditor") expressed a qualified opinion due to various limitations in evidence available to it regarding the loan receivables amounting to HK\$74,400,000 and the respective interest receivables amounting to HK\$11,558,000 (collectively referred to as the "Loans") as at 30 June 2019. The Loans were advanced by Prosten Finance Limited, a wholly-owned subsidiary of the Company as at 30 June 2019 and 2020 whereas Prosten Finance Limited was disposed of by the Group during the year ended 30 June 2021 (the "Disposal"). Due to various limitations in evidence available regarding the Loans as at the date of the Disposal, we were unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the accuracy in respect of the gain from the Disposal during the year ended 30 June 2021. Details of the limitations in evidence available regarding the Loans and the details of the Disposal are described in notes 21 and 32 to the consolidated financial statements respectively.

Since balances of assets and liabilities of the Group as at 1 July 2020 entered into the determination of the financial performance and cash flows of the Group for the year ended 30 June 2021, we were unable to determine whether adjustments might have been necessary in respect of the consolidated financial performance of the Group for the year ended 30 June 2021 reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows for the year ended 30 June 2021 reported in the consolidated statement of cash flows. Any adjustments found to be necessary would have a consequential impact on the Group's performance and cash flows for the year ended 30 June 2021. These circumstances caused us to qualify our opinion on the consolidated financial statements in respect of the year ended 30 June 2021.

Because the abovementioned matter has a possible effect on the comparability of the current year's figures and the corresponding figures in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 30 June 2022, our opinion on the consolidated financial statements for the year ended 30 June 2022 is therefore qualified.

# Independent Auditor's Report

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

## KEY AUDIT MATTERS

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

### Valuation of inventories

We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgement associated with the determination of allowance for inventories.

As disclosed in note 20 to the consolidated financial statements, the carrying amount of inventories is approximately HK\$602,939,000 as at 30 June 2022.

In estimating the amount of allowance for inventories, management reviews the net realisable value of inventories periodically with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of allowance for inventories. In addition, the management appoints an independent external valuers to perform valuation on certain jewellery items as reference for allowance consideration.

### How our audit addressed the key audit matters

Our audit procedures in relation to the valuation of inventories included:

- Understanding management’s process of how to determine the allowance for inventories;
- Evaluating the reasonableness of the net realisable value of inventories, with reference to the condition of the inventories, historical and current sales information, and aging of inventories;
- Checking the historical and current sales information and aging of inventories, on a sample basis, to source documents;
- Evaluating the competence, capabilities and objectivity of the independent external valuer and obtaining an understanding of their scope of work; and
- Evaluating the reasonableness of the valuation process carried out by the independent external valuer on selected jewellery items and traced the carrying amounts of selected jewellery items to the jewellery appraisal report to test these were recorded at lower of cost and net realisable value.

# Independent Auditor's Report

## Valuation of the trademark "3D-Gold"

We identified the valuation of the trademarks "3D-Gold" as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgment associated in determining the impairment loss on the trademarks "3D-Gold".

As disclosed in note 17 to the consolidated financial statements, the carrying amount of the trademarks "3D-Gold" is approximately HK\$168,066,000 as at 30 June 2022.

In estimating whether there was any impairment of the trademarks "3D-Gold", management estimates the future cash flows expected to arise from the trademarks "3D-Gold" and a suitable discount rate in order to calculate the recoverable amount. The recoverable amount is determined based on a value in use calculation as detailed in note 17 to the consolidated financial statements in relation to the impairment assessment of the trademarks "3D-Gold".

## How our audit addressed the key audit matters

Our audit procedures in relation to the valuation of the trademark "3D-Gold" included:

- Understanding the Group's impairment assessment process in respect of the trademarks "3D-Gold";
- Evaluating the appropriateness of the valuation model adopted and the reasonableness of key assumptions used in the valuation with reference to the economic outlook, the Group's past sales experience, market data and our industry knowledge;
- Evaluating the historical accuracy of financial budgets prepared by the management by comparing the historical financial budgets with the actual performance;
- Evaluating the sufficiency of the disclosure of impairment assessment by management in the consolidated financial statements; and
- Involving our internal valuation experts to review and assess whether the valuation model used by the management was appropriate and whether the key assumptions used in the valuation model were reasonable.

## OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

# Independent Auditor's Report

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

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

**Crowe (HK) CPA Limited**

Certified Public Accountants

Hong Kong, 29 September 2022

**Chan Wing Fai**

Practising Certificate Number P07327

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	6(a)	901,974	855,820
Cost of sales and services rendered		(705,824)	(587,534)
Gross profit		196,150	268,286
Other income	7	7,492	16,601
Selling expenses		(197,366)	(221,248)
General and administrative expenses		(76,140)	(65,920)
Other gains and losses		(9,412)	29,505
Change in fair value of derivatives embedded in convertible bonds	22(b)	2,290	8,971
Loss on early redemption of convertible bonds	22(a)	(9,650)	–
(Loss)/gain on disposal of subsidiaries	32	(3)	1,692
(Impairment loss)/reversal of impairment loss on trade receivables recognised under expected credit loss model		(870)	97
Finance costs	8	(42,250)	(46,612)
Loss before taxation	9	(129,759)	(8,628)
Income tax credit/(expense)	11	12,955	(5,349)
Loss for the year		(116,804)	(13,977)
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange difference arising on translation		18,255	(40,055)
Fair value gain of equity instruments at fair value through other comprehensive income (“FVTOCI”)		–	479
		18,255	(39,576)
<i>Item that will be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(16,372)	51,380
Other comprehensive income for the year		1,883	11,804
Total comprehensive expense for the year		(114,921)	(2,173)
(Loss)/profit for the year attributable to:			
Owners of the Company		(78,919)	(15,112)
Non-controlling interests		(37,885)	1,135
		(116,804)	(13,977)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(71,639)	(14,997)
Non-controlling interests		(43,282)	12,824
		(114,921)	(2,173)
Loss per ordinary share			
Basic	13	(HK\$0.352)	(HK\$0.098)
Diluted	13	(HK\$0.352)	(HK\$0.098)

The notes on pages 51 to 143 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	16,337	19,706
Right-of-use assets	15	16,254	7,794
Deposits paid	16	1,826	275
Intangible assets	17	168,066	168,066
Equity instruments at FVTOCI	18	–	–
Deferred tax assets	19	19,896	13,585
		<b>222,379</b>	<b>209,426</b>
<b>Current assets</b>			
Inventories	20	602,939	674,132
Right to returned goods asset		2,609	2,312
Trade and other receivables and deposits paid	16	74,182	79,703
Derivative component of convertible bonds	22(b)	1,791	–
Pledged bank deposits	23	797,759	766,348
Bank balances and cash	23	84,599	96,158
		<b>1,563,879</b>	<b>1,618,653</b>
<b>Current liabilities</b>			
Trade and other payables, accruals and deposits received	24	134,793	163,959
Bank and other borrowings	29	1,563,500	1,504,000
Contract liabilities	25	15,571	20,206
Refund liabilities	26	9,130	6,906
Lease liabilities	27	11,214	5,205
Loan from a non-controlling shareholder of a subsidiary	28	–	27,000
Derivative component of convertible bonds	22(b)	1,979	3,239
Income tax liabilities		320	2,155
		<b>1,736,507</b>	<b>1,732,670</b>
<b>Net current liabilities</b>		<b>(172,628)</b>	<b>(114,017)</b>
<b>Total assets less current liabilities</b>		<b>49,751</b>	<b>95,409</b>

# Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current liabilities</b>			
Convertible bonds	22(a)	81,072	71,917
Lease liabilities	27	5,703	3,095
Loan from a non-controlling shareholder of a subsidiary	28	100,000	100,000
Deferred tax liabilities	19	42,016	42,016
		<b>228,791</b>	217,028
<b>Net liabilities</b>		<b>(179,040)</b>	(121,619)
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	30	270	61,868
Reserves		(81,201)	(128,660)
Deficit attributable to owners of the Company		(80,931)	(66,792)
Non-controlling interests		(98,109)	(54,827)
<b>TOTAL DEFICIT</b>		<b>(179,040)</b>	(121,619)

The consolidated financial statements on pages 44 to 143 were approved and authorised for issue by the board of directors on 29 September 2022 and are signed on its behalf by:

**Li Ning**  
Director

**Wang Chaoguang**  
Director

The notes on pages 51 to 143 form an integral part of these financial statements.



# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Attributable to owners of the Company										Non-controlling interests	Total
	Ordinary share capital	Share premium	Contributed surplus	Other reserve	Share option reserve	Investment revaluation reserve	Exchange reserve	PRC statutory reserve	Accumulated losses	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
At 1 July 2020	61,868	787,648	55,327	(256,051)	4,543	(13,469)	4,330	33,155	(729,146)	(51,795)	(67,651)	(119,446)
(Loss)/profit for the year	-	-	-	-	-	-	-	-	(15,112)	(15,112)	1,135	(13,977)
Exchange difference arising on translation	-	-	-	-	-	-	(364)	-	-	(364)	11,689	11,325
Fair value gain on equity instruments at FVTOCI	-	-	-	-	-	479	-	-	-	479	-	479
Total comprehensive income/ (expense) for the year	-	-	-	-	-	479	(364)	-	(15,112)	(14,997)	12,824	(2,173)
Release upon disposal of equity instruments at FVTOCI	-	-	-	-	-	6,982	-	-	(6,982)	-	-	-
Release upon disposals of subsidiaries	-	-	-	-	-	-	(2,592)	-	2,592	-	-	-
Release upon deregistration of a subsidiary	-	-	-	3,643	-	-	-	-	(3,643)	-	-	-
Lapse of share options	-	-	-	-	(240)	-	-	-	240	-	-	-
At 30 June 2021 and 1 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 30)	(61,713)	-	61,713	-	-	-	-	-	-	-	-	-
Issue of shares, net of transaction costs (note 30)	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)

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

Notes:

- a) Other reserve comprises:
- i) a debit amount of HK\$213,605,000 represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in China Gold Silver Group Company Limited (“CGS”), a subsidiary of the Company, being acquired from the non-controlling shareholders on 14 May 2010;
  - ii) a debit amount of HK\$3,643,000 as at 30 June 2020 represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Rise Rich International Limited (“Rise Rich”), a subsidiary of the Company, being acquired from the non-controlling shareholders on 31 December 2013 and was subsequently released to accumulated losses upon the deregistration of Rise Rich during the year ended 30 June 2021; and
  - iii) a debit amount of HK\$38,803,000 represents the difference between (i) the aggregate of the fair value of the consideration (net of transaction cost) received for disposal of partial interest in CGS on 6 June 2014 and proceeds received from issuance of 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.

The notes on pages 51 to 143 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	2022 HK\$'000	2021 HK\$'000
<b>Operating activities</b>		
Loss before taxation	(129,759)	(8,628)
Adjustments for:		
Allowance of inventories	1,407	619
Bank interest income	(2,889)	(3,626)
Change in fair value of derivatives embedded in convertible bonds	(2,290)	(8,971)
COVID-19-related rent concession received	(27)	(2,514)
Depreciation of property, plant and equipment	11,460	14,699
Depreciation of right-of-use assets	13,398	21,727
Finance costs	42,250	46,612
Loss on early redemption of convertible bonds	9,650	–
Loss/(gain) on disposal of subsidiaries (note 32)	3	(1,692)
Gain on modification of lease	(193)	(87)
Interest income from rental deposits	(232)	(435)
Impairment loss/(reversal of impairment loss) on trade receivables recognised under expected credit loss model	870	(97)
Loss on disposal of property, plant and equipment	1,096	3,531
Unrealised exchange loss/(gain)	8,313	(35,612)
Written off of property, plant and equipment	–	546
Operating cash flows before movements in working capital	(46,943)	26,072
Decrease in inventories	56,791	3,256
Decrease in trade and other receivables and deposits paid	1,128	1,817
Increase in right to returned goods asset	(351)	(1,283)
Increase in refund liabilities	2,388	3,823
(Decrease)/increase in contract liabilities	(4,145)	11,412
Decrease in trade and other payables, accruals and deposits received	(21,153)	(9,488)
Cash (used in)/generated from operations	(12,285)	35,609
Income taxes refunded	9,122	–
Income taxes paid	(4,260)	(9,699)
<b>Net cash (used in)/generated from operating activities</b>	<b>(7,423)</b>	<b>25,910</b>

# Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	2022 HK\$'000	2021 HK\$'000
<b>Investing activities</b>		
Interest received	2,753	4,138
Proceeds from disposal of equity instruments at FVTOCI	–	2,486
Purchase of property, plant and equipment	(9,709)	(7,746)
Proceeds from disposal of property, plant and equipment	129	1,139
Net cash (outflows)/inflows from disposal of subsidiaries (note 32)	(7)	3,643
Placement of pledged bank deposits	(54,581)	(2,169)
Withdrawal of pledged bank deposits	20,750	12,000
<b>Net cash (used in)/generated from investing activities</b>	<b>(40,665)</b>	<b>13,491</b>
<b>Financing activities</b>		
Interest paid	(42,053)	(35,339)
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	119,000	28,150
Repayment of bank and other borrowings	(59,500)	(31,400)
Repayment of convertibles bonds	(79,950)	–
Repayment of lease liabilities, including related interests	(14,065)	(19,965)
New loan raised from a non-controlling shareholder of a subsidiary	–	27,000
Repayment of loan from a non-controlling shareholder of a subsidiary	(27,000)	(27,000)
<b>Net cash generated from/(used in) financing activities</b>	<b>38,432</b>	<b>(58,554)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(9,656)</b>	<b>(19,153)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>96,158</b>	<b>110,810</b>
Effect of foreign exchange rate changes	(1,903)	4,501
<b>Cash and cash equivalents at end of the year, represented by bank balances and cash</b>	<b>84,599</b>	<b>96,158</b>

The notes on pages 51 to 143 form an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 1. GENERAL

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

The Company acts as an investment holding company. The principal activities of the Company’s subsidiaries are set out in note 41 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\$116,804,000 during the year ended 30 June 2022 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$172,628,000 and HK\$179,040,000 respectively, indicating the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 June 2022 after taking into consideration of the following:

- i) The Group was granted certain revolving banking facilities by different banks in Hong Kong with aggregate amount of HK\$2,150,000,000 (the “Banking Facilities”), of which HK\$1,563,500,000 had been utilised as at 30 June 2022. Luk Fook Holdings (International) Limited, being the ultimate holding company of a non-controlling shareholder of CGS, provided financial guarantee amounting to HK\$1,075,000,000 on the Banking Facilities. As at 30 June 2022, the unutilised Banking Facilities was HK\$586,500,000;
- ii) On 23 September 2022, Mr. Li Ning, a chairman and an executive director of the Company, granted a credit facility of HK\$100,000,000 to the Company (the “Credit Facility”). The terms of the Credit Facility are unsecured, interest bearing of 5% per annum and repayable at the end of the first anniversary date from the drawn down date. Up to the date of this report, the Company utilised RMB26,000,000 (or equivalent to approximately HK\$30,762,000) of the Credit Facility; and
- iii) Internal funds shall be generated from the Group’s operations and external financing will be available to the Group.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 annual period beginning on or after 1 July 2021 for the preparation of the consolidated financial statements.

Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, 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 and prior years and/or on the disclosures set out in these consolidated financial statements.

### *Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 “Financial Instruments – Disclosures” (“HKFRS 7”).

As at 1 July 2021, the Group has several financial liabilities of which are indexed to benchmark rate that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	<b>Hong Kong Interbank Offered Rate (“HIBOR”) HK\$’000</b>
<b>Financial liabilities</b>	
Bank and other borrowings	1,486,000

The amendments have had no material impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured in amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 38.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRSs Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

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.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other 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 or bargain purchase gain.

#### ***Business combination***

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### Business combinations or asset acquisitions (Continued)

#### Business combination (Continued)

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### **Business combinations or asset acquisitions** *(Continued)*

#### **Business combination** *(Continued)*

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.

#### **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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### **Revenue from contracts with customers** *(Continued)*

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.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### **Revenue from contracts with customers** *(Continued)*

#### **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.

#### **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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### 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.

#### *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.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### *Leases (Continued)*

#### *The Group as a lessee (Continued)*

##### *Right of use assets (Continued)*

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.

##### *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.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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.

##### *Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform*

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if and only if both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis of determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by the interest rate benchmark reform, the Group applies the applicable requirements in HKFRS 16 (see the accounting policy above) to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### **Intangible assets** (*Continued*)

#### ***Internally-generated intangible assets-research and development expenditure***

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

#### ***Intangible assets acquired in a business combination***

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

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

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

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

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount 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.

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

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

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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.

### **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).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### **Foreign currencies** *(Continued)*

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.

### **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.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### **Share-based payments** *(Continued)*

#### **Equity-settled share-based payment transactions** *(Continued)*

##### *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).

### **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 and termination benefits**

Payments to the PRC government retirement benefit scheme, pursuant to the relevant labour rules and regulations in the PRC, the Mandatory Provident Fund Scheme (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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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.

### **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.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### **Taxation** *(Continued)*

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 due to application of the initial recognition exemption. 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.

### **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”. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### **Financial instruments** *(Continued)*

#### **Financial assets**

##### *Classification and subsequent measurement of financial assets*

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at 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.

#### 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, loan receivables, pledged bank deposits and bank balances) which are subject to impairment 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.

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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)*

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.

###### 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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)*

#### 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.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 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, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### **Financial instruments** *(Continued)*

#### ***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 and loans 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 or 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 (principal)***

The Group engages in trading of E-commerce goods. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods. The Group has inventory risk. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 30 June 2022, the Group recognised revenue relating to trading of E-commerce goods amounted to approximately HK\$21,487,000 (2021: HK\$2,359,000).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 2022, the carrying amount of the Group's inventories is approximately HK\$602,939,000 (2021: HK\$674,132,000).

#### ***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 2022, the carrying amount of income tax liabilities is approximately HK\$320,000 (2021: HK\$2,155,000), deferred tax liabilities is approximately HK\$42,016,000 (2021: HK\$42,016,000) and deferred tax assets is approximately HK\$19,896,000 (2021: HK\$13,585,000).

#### ***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 2022, the carrying amount of derivative component of convertible bonds recognised as current assets and current liabilities of approximately HK\$1,791,000 (2021: HK\$Nil) and HK\$1,979,000 (2021: HK\$3,239,000) respectively.

#### ***Impairment assessment of intangible assets***

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of these intangible assets. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period, in which the key assumptions include the discount rate, short-term and long-term growth rate, taking into account the economic outlook, the Group's past sales experience and industry growth forecasts to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2022, the carrying amount of the Group's intangible assets is approximately HK\$168,066,000 (2021: HK\$168,066,000).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 38 and 16 to the consolidated financial statements, respectively.

## 6. REVENUE AND SEGMENT INFORMATION

### a) Revenue

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

	Retail sales and franchising operations for selling gold and jewellery products in Mainland China		Retail sales operations for selling gold and jewellery products in Hong Kong and Macau		New media marketing service business in Mainland China		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retail sales of goods	586,759	689,811	71,424	91,060	–	–	–	–	658,183	780,871
Sales of E-commerce goods	21,487	2,359	–	–	–	–	–	–	21,487	2,359
Franchising and licensing income	38,211	56,239	–	–	–	–	–	–	38,211	56,239
New media marketing services	–	–	–	–	183,725	–	–	–	183,725	–
Cloud computer solution services	–	–	–	–	–	–	368	–	368	–
Trading of computer products	–	–	–	–	–	–	–	16,351	–	16,351
Goods and services	646,457	748,409	71,424	91,060	183,725	–	368	16,351	901,974	855,820

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### a) Revenue (Continued)

#### 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

#### Disaggregation of revenue for the year ended 30 June 2021

	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	748,409	–	–	16,351	764,760
– Hong Kong and Macau	–	91,060	–	–	91,060
	748,409	91,060	–	16,351	855,820
Timing of revenue recognition					
– A point in time	692,170	91,060	–	16,351	799,581
– Over time	56,239	–	–	–	56,239
	748,409	91,060	–	16,351	855,820

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 franchisee simultaneously receives and consumes the benefits of the Group's performance as it occurs.

##### *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.

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 (normally the Group made prepayments to suppliers for the advertising traffic to be used for a future period); and (iii) bearing sole responsibility for fulfillment of the services. Such revenue is recognised at a point in time when specific services were provided based on cost per click model to marketing agencies as a result of the placement of marketing products in relevant we-media platforms. Normally, the payment term for the contract is 90 days after the number of the specified actions is agreed with the customers monthly.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### a) Revenue (Continued)

#### *Performance obligations for contracts with customers (Continued)*

##### *Sales of E-commerce goods*

The Group engages in sales of E-commerce goods. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods. The Group has inventory risk. When the Group satisfies the performance obligation, being at the point the goods are delivered to the customers, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

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

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### b) Segment information (Continued)

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

#### Segment revenues and results

For the year ended 30 June 2022

	Reportable segments			Total HK\$'000	Other (Note) HK\$'000	Consolidated HK\$'000
	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			
<b>REVENUE</b>						
External sales	646,457	71,424	183,725	901,606	368	901,974
<b>RESULTS</b>						
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)



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### b) Segment information (Continued)

#### Segment revenues and results (Continued)

For the year ended 30 June 2021

	Reportable segments			Total HK\$'000	Other (Note) HK\$'000	Consolidated HK\$'000
	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			
<b>REVENUE</b>						
External sales	748,409	91,060	–	839,469	16,351	855,820
<b>RESULTS</b>						
Segment profit/(loss)	61,998	(15,483)	–	46,515	(1,019)	45,496
Unallocated other income						6,225
Unallocated corporate staff and directors' salaries						(25,412)
Other unallocated corporate expenses						(17,627)
Advertising, promotion and business development expenses						(18,153)
Gain on disposal of subsidiaries						1,692
Change in fair value of derivatives embedded in convertible bonds						8,971
Exchange gain, net						35,612
Unallocated finance costs						(45,432)
Loss before taxation						(8,628)
Income tax expense						(5,349)
Loss for the year						(13,977)

Note: Others represents other operating segment that is not reportable, which includes the provision of cloud computer solution services and the computer products trading business.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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)/gain on disposal of subsidiaries, change in fair value of derivatives embedded in convertible bonds, loss on early redemption of convertible bonds, exchange (loss)/gain, other unallocated corporate expenses, unallocated finance costs and income tax credit/(expense). This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

#### Segment assets and liabilities

As at 30 June 2022

	Reportable segments			Total HK\$'000	Other (Note) HK\$'000	Consolidated HK\$'000
	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			
<b>ASSETS</b>						
Segment assets	571,862	121,845	13,236	706,943	–	706,943
Intangible assets						168,066
Equity instruments at FVTOCI						–
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 assets						1,786,258
<b>LIABILITIES</b>						
Segment liabilities	136,653	9,586	11,097	157,336	–	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 liabilities						1,965,298

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### b) Segment information (Continued)

#### Segment assets and liabilities (Continued)

As at 30 June 2021

	Reportable segments			Total HK\$'000	Other (Note) HK\$'000	Consolidated HK\$'000
	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			
<b>ASSETS</b>						
Segment assets	625,422	156,705	–	782,127	–	782,127
Intangible assets						168,066
Equity instruments at FVTOCI						–
Deferred tax assets						13,585
Pledged bank deposits						766,348
Bank balances and cash						96,158
Other corporate assets						1,795
Consolidated assets						1,828,079
<b>LIABILITIES</b>						
Segment liabilities	164,275	9,113	–	173,388	–	173,388
Bank and other borrowings						1,504,000
Loans from a non-controlling shareholder of a subsidiary						127,000
Convertible bonds						71,917
Derivative component of convertible bonds						3,239
Income tax liabilities						2,155
Deferred tax liabilities						42,016
Other corporate liabilities						25,983
Consolidated liabilities						1,949,698

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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, loans from a non-controlling shareholder of a subsidiary, income tax liabilities, convertible bonds, derivative component of convertible bonds, deferred tax liabilities and other corporate liabilities.

#### Other entity-wide segment information

For the year ended 30 June 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	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>Amounts included in the measure of segment result or segment assets:</i>						
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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### b) Segment information (Continued)

#### Other entity-wide segment information (Continued)

For the year ended 30 June 2021

	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	Others	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Amounts included in the measure of segment result or segment assets:</i>						
Additions of property, plant and equipment	7,228	394	–	11	113	7,746
Additions of right-of-use assets	6,349	258	–	–	–	6,607
Depreciation of property, plant and equipment	12,475	2,041	–	3	180	14,699
Depreciation of right-of-use assets	7,338	14,183	–	–	206	21,727
(Gain)/loss on disposal of property, plant and equipment	(246)	3,777	–	–	–	3,531

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 2022

	Non-current assets HK\$'000	Revenue from external customers HK\$'000
Mainland China	24,225	827,620
Hong Kong	8,366	74,354
	32,591	901,974

#### For the year ended 30 June 2021

	Non-current assets HK\$'000	Revenue from external customers HK\$'000
Mainland China	22,843	764,760
Hong Kong	4,657	91,060
	27,500	855,820

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 7. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Interest income from bank deposits	2,889	3,626
COVID-19-related rent concessions received	27	2,514
Government grants (note)	1,605	6,312
Interest income from rental deposits	232	435
Gain on modification of lease	193	87
Sundry income	2,546	3,627
	<b>7,492</b>	<b>16,601</b>

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.

## 8. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interests on:		
Bank and other borrowings	32,655	30,486
Loans from a non-controlling shareholder of a subsidiary	1,163	4,709
Lease liabilities	1,467	1,241
Effective interest on convertible bonds (note 22(a))	6,965	10,176
	<b>42,250</b>	<b>46,612</b>

## 9. LOSS BEFORE TAXATION

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

	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration	2,270	2,150
Cost of inventories recognised as an expense	525,326	586,915
Depreciation of property, plant and equipment	11,460	14,699
Depreciation of right-of-use assets	13,398	21,727
Exchange loss/(gain), net	8,313	(35,612)
Loss on disposal of property, plant and equipment, net	1,096	3,531
Written off of property, plant and equipment	–	546
Lease payments not included in the measurement of lease liabilities	47,952	56,797
Staff costs, including directors' emoluments:		
– Wages, salaries and other benefits costs	117,350	126,294
– Retirement benefit costs	14,090	4,462
	<b>131,440</b>	<b>130,756</b>
Allowance of inventories, net (included in cost of sales)	1,407	619

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### a) Directors' emoluments

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

		For the year ended 30 June 2022				
Name of director	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind	Retirement benefit costs	Discretionary or performance- based bonuses	Total HK\$'000
			HK\$'000	HK\$'000	HK\$'000	
<b>Executive directors</b>						
Ms. Dai Wei	(a)	–	1,320	18	–	1,338
Mr. Li Ning		–	1,440	18	–	1,458
Mr. Wang Chaoguang		–	960	–	–	960
<b>Non-executive director</b>						
Mr. Hu, Hongwei		720	–	18	–	738
<b>Independent non-executive directors</b>						
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
		For the year ended 30 June 2021				
Name of director	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind	Retirement benefit costs	Discretionary or performance- based bonuses	Total HK\$'000
			HK\$'000	HK\$'000	HK\$'000	
<b>Executive directors</b>						
Ms. Dai Wei		–	1,320	18	–	1,338
Mr. Li Ning		–	1,440	18	–	1,458
Mr. Wang Chaoguang	(c)	–	240	–	–	240
Mr. Hu, Hongwei	(b)	–	101	2	–	103
<b>Non-executive director</b>						
Mr. Hu, Hongwei	(b)	670	–	16	–	686
<b>Independent non-executive directors</b>						
Mr. Fan Anthony Ren Da		360	–	–	–	360
Dr. Loke, Yu Hoi Lam		360	–	–	–	360
Mr. Chan Kim Sun	(d)	109	–	–	–	109
Mr. Xu Xiaoping	(e)	123	–	–	–	123
		1,622	3,101	54	–	4,777



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### a) Directors' emoluments (Continued)

Notes:

- a) Resigned as executive director on 23 September 2022.
- b) Re-designated as non-executive director on 27 July 2020.
- c) Appointed as executive director and co-chairman on 1 April 2021.
- d) Appointed as independent non-executive director on 19 February 2021.
- e) Retired as independent non-executive director on 27 November 2020.

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

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

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

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

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

### b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2021: two) were directors of the Company whose emoluments are included in note 10(a) above.

The emoluments of the remaining three (2021: three) individuals are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries	6,485	6,430
Bonuses	536	536
Retirement benefit costs	54	54
	7,075	7,020

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

### b) Five highest paid employees (Continued)

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

	2022 Number of employees	2021 Number of employees
<i>Emolument bands</i>		
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	1
	3	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)/EXPENSE

	2022 HK\$'000	2021 HK\$'000
Current tax:		
PRC Enterprise Income Tax	2,478	14,200
PRC Withholding Tax		
– current year	–	606
– over-provision in prior years	(9,122)	–
	(6,644)	14,806
Deferred taxation (note 19)	(6,311)	(9,457)
	(12,955)	5,349

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

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

Pursuant to rules and regulations of Bermuda and the BVI, the Group is not subject to any income tax in Bermuda and the BVI.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 11. INCOME TAX (CREDIT)/EXPENSE (Continued)

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.

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

	2022 HK\$'000	2021 HK\$'000
Loss before taxation	(129,759)	(8,628)
Notional tax on loss before tax, calculated at rates applicable in the jurisdictions concerned (note)	(24,010)	(4,473)
Tax effect of income not taxable for tax purpose	(1,658)	(11,315)
Tax effect of expenses not deductible for tax purpose	10,996	6,380
Tax effect of tax losses not recognised	10,827	14,165
PRC withholding tax	(9,122)	606
Others	12	(14)
Income tax (credit)/expense for the year	(12,955)	5,349

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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 12. DIVIDENDS

No dividend was paid or proposed for both years ended 30 June 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

## 13. LOSS PER ORDINARY SHARE

	2022 HK\$'000	2021 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))	(78,919)	(15,112)
	2022 '000	2021 '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))	224,165	154,672

Notes:

- i) The calculation of diluted loss per ordinary share for the year ended 30 June 2022 and 2021 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 2022 and 2021, the computation of diluted loss per ordinary share did not assume the exercise of share options because their exercise price is higher than the average share price.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>				
As at 1 July 2020	61,411	48,435	1,581	111,427
Exchange realignment	6,245	3,812	–	10,057
Additions	5,441	2,305	–	7,746
Disposals of subsidiaries (note 32)	–	(11)	–	(11)
Disposals	–	(5,127)	(1,487)	(6,614)
Written off	(66)	(626)	–	(692)
Reclassification	6,801	(7,857)	1,056	–
As at 30 June 2021 and 1 July 2021	<b>79,832</b>	<b>40,931</b>	<b>1,150</b>	<b>121,913</b>
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	<b>64,409</b>	<b>37,585</b>	<b>1,416</b>	<b>103,410</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 July 2020	43,965	36,418	1,101	81,484
Exchange realignment	4,884	3,233	–	8,117
Provided for the year	11,324	3,186	189	14,699
Eliminated upon disposals of subsidiaries (note 32)	–	(3)	–	(3)
Eliminated upon disposals	–	(496)	(1,448)	(1,944)
Eliminated upon written off	(13)	(133)	–	(146)
Reclassification	7,815	(8,477)	662	–
As at 30 June 2021 and 1 July 2021	<b>67,975</b>	<b>33,728</b>	<b>504</b>	<b>102,207</b>
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	<b>55,244</b>	<b>31,118</b>	<b>711</b>	<b>87,073</b>
<b>Carrying values</b>				
As at 30 June 2022	<b>9,165</b>	<b>6,467</b>	<b>705</b>	<b>16,337</b>
As at 30 June 2021	11,857	7,203	646	19,706

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%

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 15. RIGHT-OF-USE ASSETS

	Lease properties HK\$'000
<b>At 30 June 2022</b>	
Carrying amount	<b>16,254</b>
At 30 June 2021	
Carrying amount	7,794
<b>For the year ended 30 June 2022</b>	
Depreciation charge	<b>13,398</b>
For the year ended 30 June 2021	
Depreciation charge	21,727

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

	2022 HK\$'000	2021 HK\$'000
Expenses relating to short-term leases	4,470	4,142
Expenses relating to leases of low-value of assets, excluding short-term leases of low-value assets	24	45
Variable lease payments not included in the measurement of lease liabilities	43,458	52,610
Total cash outflow for leases (note)	<b>(62,017)</b>	<b>(76,762)</b>
Addition to right-of-use assets	<b>23,605</b>	6,607

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.

### Variable lease payments

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on 6.5% to 25% (2021: 1% to 29%) 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.

For both years, the Group leases retail shops and office for its operations. Lease contracts are entered into for fixed term of 0.50 to 2.00 years (2021: 0.50 to 3.00 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 2022, 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 (2021: HK\$Nil).

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 2022 and 2021, there is no such triggering event.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 16. TRADE AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Deposits paid under non-current assets represent:		
Rental deposits	1,826	275
Trade and other receivables and deposits paid under current assets comprise:		
Trade receivables	46,218	49,637
Less: allowance for credit losses	(870)	–
	45,348	49,637
Rental deposits	2,213	7,601
Value-added tax receivables	11,987	9,306
Prepayment	8,245	8,338
Other receivables and deposits paid	6,389	4,821
	74,182	79,703

As at 1 July 2020, trade receivables from contracts with customers net of allowance for credit losses amounted to approximately HK\$36,354,000.

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 (2021: up to 90 days) to its debtors.

Included in rental deposits and other receivables and deposits paid as at 30 June 2022 are amounts related to fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to approximately HK\$1,340,000 (2021: HK\$1,489,000).

During the year ended 30 June 2021, loan interest receivables arising from money lending business with gross amount and impairment loss of approximately HK\$11,267,000 were disposed through the disposal of the entire equity interest of relevant subsidiary to Mr. Li Ning, a chairman and an executive director of the Company. Details of disposal of subsidiaries are set out in note 32 to the consolidated financial statements.

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

	2022 HK\$'000	2021 HK\$'000
0-30 days	35,616	43,199
31-60 days	581	3,741
61-90 days	1,892	456
Over 90 days	7,259	2,241
	45,348	49,637

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 16. TRADE AND OTHER RECEIVABLES (Continued)

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

	2022 HK\$'000	2021 HK\$'000
Neither past due nor impaired	35,616	43,199
Past due but not impaired:		
1-30 days	581	3,741
31-60 days	1,892	456
61-90 days	1,430	349
Over 90 days	5,829	1,892
	45,348	49,637

As at 30 June 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$9,732,000 (2021: HK\$6,438,000) which are past due as at the reporting date. Out of the past due balances, HK\$5,829,000 (2021: HK\$1,892,000) 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 2022 and 2021 are set out in note 38 to the consolidated financial statements.

## 17. INTANGIBLE ASSETS

	2022 HK\$'000	2021 HK\$'000
Trademarks (note (a))	168,066	168,066

Notes:

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

On 30 June 2022, management of the Group conducted impairment review on the trademarks. The recoverable amounts of the trademarks have been determined based on a value in use calculation, which is based on the financial budgets approved by management covering a ten-year period and a pre-tax discount rate of approximately 11% (2021: 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% (2021: 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.

- b) During the year ended 30 June 2021, the license with carrying amount of approximately HK\$1,078,000 was disposed through the disposal of subsidiaries. Further details of the disposal of subsidiaries are disclosed in note 32 to the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 18. EQUITY INSTRUMENTS AT FVTOCI

	2022 HK\$'000	2021 HK\$'000
<b>Unquoted equity instruments</b>		
– Equity instruments at FVTOCI (note (a))	–	–

Notes:

- a) 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.
- b) During the year ended 30 June 2021, the Group disposed of all the quoted equity investment, with its fair value determined by reference to bid prices quoted in an active market previously, was disposed of at a consideration of approximately HK\$2,486,000 as the investment no longer met the investment objective of the Group. The debit balance of investment revaluation reserve of approximately HK\$6,982,000 was transferred to accumulated losses upon disposal.

## 19. DEFERRED TAXATION

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	(19,896)	(13,585)
Deferred tax liabilities	42,016	42,016
	<b>22,120</b>	<b>28,431</b>

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

	Fair value adjustment on intangible assets HK\$'000 (Note)	Provision on trade and other receivables HK\$'000	Provision on staff benefits in the PRC HK\$'000	Provision on inventories HK\$'000	Unused tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 July 2020	42,016	(3)	(3,919)	(1,228)	(2,229)	3,251	37,888
Charge/(credit) to profit or loss (note 11)	–	3	(241)	205	(4,448)	(4,976)	(9,457)
As at 30 June 2021 and 1 July 2021	<b>42,016</b>	–	<b>(4,160)</b>	<b>(1,023)</b>	<b>(6,677)</b>	<b>(1,725)</b>	<b>28,431</b>
(Credit)/charge to profit or loss (note 11)	–	(115)	309	56	(3,409)	(3,152)	(6,311)
As at 30 June 2022	<b>42,016</b>	<b>(115)</b>	<b>(3,851)</b>	<b>(967)</b>	<b>(10,086)</b>	<b>(4,877)</b>	<b>22,120</b>

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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 19. DEFERRED TAXATION (Continued)

As at 30 June 2022, the Group has unused tax losses of approximately HK\$1,123,586,000 (2021: HK\$1,049,792,000) available to offset against future profits. Deferred tax asset has been recognised in respect of approximately HK\$40,345,000 (2021: HK\$26,709,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$1,083,241,000 (2021: HK\$1,023,083,000) due to the unpredictability of future profit streams.

As at 30 June 2022, the Group had unused tax losses amounting to approximately HK\$22,836,000 (2021: HK\$39,068,000) and HK\$90,305,000 (2021: HK\$63,361,000) that will expire by 2025 (2021: 2024) and 2027 (2021: 2026) respectively and HK\$1,010,445,000 (2021: HK\$947,363,000) 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\$85,833,000 (2021: HK\$82,881,000) 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

	2022 HK\$'000	2021 HK\$'000
Raw materials	35,515	62,923
Finished goods	567,424	611,209
	<b>602,939</b>	674,132

Inventories are measured at the lower of cost and net realisable value. The Group has recognised net allowance of approximately HK\$1,407,000 (2021: allowance of HK\$619,000) and included in “cost of sales”.

## 21. LOAN RECEIVABLES

As at 30 June 2020, the Group held collateral of entire equity interest of a private limited company for secured loan receivables at principal amount of HK\$10,000,000. Loan receivables at principal amount of HK\$12,000,000 were unsecured and guaranteed by respective sole shareholder of the borrowers, while the remaining loan receivables of HK\$52,400,000 were unsecured and unguaranteed. Included in the unsecured loan receivables as at 1 July 2020 were loans advanced to a shareholder at principal amount of HK\$2,900,000.

Secured loan receivable carried fixed-rate interests at 21% per annum and with maturity of 1 year. Unsecured loan receivables carried fixed-rate interests ranging from 15% to 22% per annum and with maturity ranging from 6 months to 1 year. All amounts of principal would be receivable on respective maturity dates.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 21. LOAN RECEIVABLES *(Continued)*

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

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

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

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

Given the above circumstances, the Group has issued either writs of summons or statutory demand to those borrowers who were default in payment. In view of the uncertainty in recoverability, the Group recognised impairment losses on all the loan receivables and related interest receivables to reflect the expected credit losses during the year ended 30 June 2019. The Group was taking legal proceedings to recover the loans and the respective loan interests from those borrowers during the year ended 30 June 2020.

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

As at 30 June 2020, included in the Group’s loan receivables balance were debtors with aggregate carrying amounts of HK\$74,400,000 which were past due as at the reporting date, of which HK\$74,400,000 had been past due 90 days or more. The Group had issued either writs of summons or statutory demand demanding the debtors for repayment of loans and the interests accrued thereon. Based on the abovementioned circumstances, the Group had provided impairment losses on all the loan receivables of HK\$74,400,000 and related interest receivables of HK\$11,267,000.

The directors of the Company were of the view that the chance of recovering the loan receivables and the respective interest receivables would be remote, and such recovering actions would be time consuming and the Group may have to incur additional costs. This would put the Group under greater risk and financial pressure, which is not in the interest of the Group and shareholders as a whole. As a result, the Group disposed of the loan receivables and the respective interest receivables through the disposal of the entire equity interest of relevant subsidiaries to Mr. Li Ning, a chairman and an executive director of the Company, at a consideration of HK\$1,458,000 during the year ended 30 June 2021. Details of disposal of subsidiaries are set out in note 32 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 22. 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 30(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.

During the year ended 30 June 2020, convertible bonds with principal amount of HK\$42,000,000 were converted and the Company allotted and issued 280,000,000 new ordinary shares on 15 June 2020 accordingly.

As at 30 June 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.

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

	30 June 2021
Share price	HK0.050
Dividend yield	0%
Expected volatility	70.373%
Risk-free rate	0.081%

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 22. 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”)***

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 Chaoguang, the co-chairman and an executive director of the Company (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 30(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.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 22. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### a) Convertible bonds (Continued)

**Convertible bonds due on 12 November 2023 with principal amount of HK\$52,00,000 (“CB 2023A”) and due on 6 December 2023 with principal amount of HK\$32,500,000 (“CB 2023B”) (Continued)**

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 2022	At 12 November 2021 (Issue date)	At 30 June 2022	At 6 December 2021 (Issue date)
Share price	HK\$0.22	HK\$0.31	HK\$0.22	HK\$0.29
Dividend yield	0%	0%	0%	0%
Expected volatility	73.05%	88.09%	72.71%	87.68%
Risk-free rate	2.31%	0.34%	2.34%	0.60%

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 2020	59,134	–	–	59,134
Coupon interest accrued and included in other payables	(3,198)	–	–	(3,198)
Interest charged during the year (note 8)	10,176	–	–	10,176
Exchange realignment	5,805	–	–	5,805
At 30 June 2021 and 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	–	49,936	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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 22. 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 2020	11,314	–	–	–	–	11,314
Change in fair value	(9,097)	–	–	–	–	(9,097)
Amortisation of deferred day one loss in profit or loss	126	–	–	–	–	126
	(8,971)	–	–	–	–	(8,971)
Exchange realignment	896	–	–	–	–	896
At 30 June 2021 and 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	–	(1,070)	1,179	(721)	800	188

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

	2022 HK\$'000	2021 HK\$'000
<i>Current assets</i>		
– CB 2023A	(1,070)	–
– CB 2023B	(721)	–
	(1,791)	–
<i>Current liabilities</i>		
– CB 2023	–	3,239
– CB 2023A	1,179	–
– CB 2023B	800	–
	1,979	3,239

The gain on change in fair value of embedded derivative of the convertible bonds for the year ended 30 June 2022 of approximately HK\$2,345,000 (2021: HK\$9,097,000) and amortisation of day one loss of approximately HK\$55,000 (2021: HK\$126,000) 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\$172,000 (2021: fair value gain of HK\$8,971,000) was related to derivative components of convertible bonds at 30 June 2022. The related interest expense of the liability component of the convertible bonds for the year ended 30 June 2022 amounted to HK\$6,965,000 (2021: HK\$10,176,000), which was calculated using the effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 23. 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\$797,759,000 (2021: HK\$766,348,000) 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 0.0001% to 2.25% (2021: 0.0001% to 2.25%) per annum.

As at 30 June 2022 and 2021, 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 2022 are bank balances amounting to approximately HK\$4,046,000 (2021: HK\$616,000) which are denominated in currencies other than the functional currencies of the respective group entities.

## 24. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2022 HK\$'000	2021 HK\$'000
Trade payables	14,032	23,199
Deposits received	5,000	12,000
Franchisee guarantee deposits (Note)	41,174	47,368
Salary and bonus payables	44,515	47,664
Other payables, accruals and other deposits	30,072	33,728
	<b>134,793</b>	163,959

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 (2021: up to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

Included in trade payables as at 30 June 2022 are trade payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to approximately HK\$234,000 (2021: HK\$503,000).

Deposits received at 30 June 2022 amounting to approximately HK\$5,000,000 (2021: HK\$12,000,000) are unsecured, interest bearing of 8% per annum, and repayable on demand (2021: unsecured, interest bearing of 8% per annum, and repayable on demand).

Included in other payables, accruals and other deposits as at 30 June 2022 are other payables to certain fellow subsidiaries of a non-controlling shareholder of a subsidiary amounting to HK\$2,801,000 (2021: HK\$21,000).

Included in other payables, accruals and other deposits as at 30 June 2022 are accruals for service fee payable to a company in which a director of a subsidiary has beneficial interest amounting to HK\$2,628,000 (2021: HK\$1,859,000).



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 24. 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.

	2022 HK\$'000	2021 HK\$'000
0-30 days	14,011	22,850
31-60 days	7	148
61-90 days	1	51
Over 90 days	13	150
	<b>14,032</b>	<b>23,199</b>

## 25. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Receipts in advance from franchisees and customers (Note a)	14,347	19,285
Customer loyalty programmes (Note b)	1,224	921
	<b>15,571</b>	<b>20,206</b>

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
<b>For the year ended 30 June 2022</b>		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	12,734	431
<b>For the year ended 30 June 2021</b>		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	10,724	1,093

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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 26. REFUND LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Refund liabilities arising from right of return	9,130	6,906

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.

## 27. LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
<i>Lease liabilities payable:</i>		
Within one year	11,214	5,205
Within a period of more than one year but not more than two years	4,963	2,340
Within a period of more than two years but not more than five years	740	755
	16,917	8,300
Less: Amount due for settlement within 12 months under current liabilities	(11,214)	(5,205)
Amount due for settlement after 12 months shown under non-current liabilities	5,703	3,095

The weighted average incremental borrowing rates applied to lease liabilities ranges from 6.52% to 8% (2021: 8%) per annum.

Details of maturity of lease liabilities are set out in note 38(b) to the consolidated financial statements.

## 28. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	2022 HK\$'000	2021 HK\$'000
<i>Loans from a non-controlling shareholder of a subsidiary classified as:</i>		
– Current liabilities (note (a))	–	27,000
– Non-current liabilities (note (b))	100,000	100,000
	100,000	127,000

Notes:

- (a) 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”), a non-controlling shareholder of a subsidiary. Luk Fook 3D signed a deed of release in favour of the Company, pursuant to which Luk Fook 3D released and discharged the Company from all of its liabilities and obligations owing to Luk Fook 3D. On the same date, the Group obtained a loan of HK\$27,000,000 from Luk Fook 3D, which was unsecured, interest bearing of 18% per annum and repayable on 22 July 2021. 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.

- (b) As at 30 June 2022, the loan from a non-controlling shareholder of a subsidiary of HK\$100,000,000 (2021: 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 29. BANK AND OTHER BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Secured floating rate bank borrowings	1,563,500	1,486,000
Unsecured fixed rate other borrowing – Independent third parties	–	18,000
	1,563,500	1,504,000
Secured	1,563,500	1,486,000
Unsecured	–	18,000
	1,563,500	1,504,000
Carrying amounts repayable: Within one year*	108,500	168,000
Carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) – Repayable within one year*	1,455,000	1,336,000
	1,563,500	1,504,000
Less: Amounts due within one year and shown under current liabilities	(1,563,500)	(1,504,000)
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		Carrying amount	
			2022	2021	2022 HK\$'000	2021 HK\$'000
<b>Bank borrowings:</b>						
Secured HK\$ bank loans	(a)	July 2022 (2021: July 2021)	1.66%	1.73%	396,000	396,000
Secured HK\$ bank loans	(b)	July 2022 (2021: July 2021)	1.85%	1.95%	900,000	900,000
Secured HK\$ bank loans	(c)	June 2023 (2021: June 2022)	1.67%	1.73%	108,500	150,000
Secured HK\$ bank loans	(d)	July 2022 (2021: July 2021)	1.68%	2.01%	159,000	40,000
					1,563,500	1,486,000
<b>Unsecured other borrowing:</b>						
An independent third party	(e)	N/A (2021: On demand)	N/A	15%	–	18,000
					1,563,500	1,504,000

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 29. 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 2021, the loan was interest bearing at a fixed rate of 15% per annum.

## 30. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.04 each at 1 July 2020, 30 June 2021 and 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		200,000,000	200,000
Preference shares of HK\$0.04 each at 1 July 2020, 30 June 2021 and 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		30,000,000	30,000
Total:			
At 1 July 2020, 30 June 2021 and 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		230,000,000	230,000
<b>Ordinary shares issued and fully paid:</b>			
Ordinary shares of HK\$0.04 each at 1 July 2020, 30 June 2021 and 1 July 2021		1,546,716	61,868
Share consolidation	a(i)	(1,392,044)	–
Share sub-division	a(iii)	61,713,968	–
Share cancellation	a(ii)	(61,713,968)	(61,713)
Issue of shares	b, c	115,000	115
Ordinary shares of HK\$0.001 each at 30 June 2022		269,672	270

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 30. 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”).
  - 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.

## 31. 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 31. 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 exceed 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 in 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 2022, the number of options which remain outstanding under the 2009 Share Option Scheme was 2,470,000 (2021: 25,450,000) which, if exercised in full, representing 0.92% (2021: 1.65%) of the share capital of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 31. 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 a)	Number of share options					
				Outstanding as at 1.7.2020	Lapsed during the year (Note b)	Outstanding as at 30.6.2021 and 1.7.2021	Adjusted for Share Consolidation (Note a)	Lapsed during the year (Note b)	As at 30.6.2022
Directors	25.1.2013	28.2.2013 to 24.1.2023	9.152	150,000	–	150,000	(135,000)	–	15,000
	25.1.2013	28.2.2014 to 24.1.2023	9.152	150,000	–	150,000	(135,000)	–	15,000
	25.1.2013	28.2.2015 to 24.1.2023	9.152	150,000	–	150,000	(135,000)	–	15,000
	12.1.2018	12.1.2018 to 11.1.2028	3.232	11,375,000	(875,000)	10,500,000	(9,450,000)	–	1,050,000
				11,825,000	(875,000)	10,950,000	(9,855,000)	–	1,095,000
Employees	25.1.2013	28.2.2013 to 24.1.2023	9.152	250,000	–	250,000	(225,000)	(25,000)	–
	25.1.2013	28.2.2014 to 24.1.2023	9.152	250,000	–	250,000	(225,000)	(25,000)	–
	25.1.2013	28.2.2015 to 24.1.2023	9.152	625,000	(375,000)	250,000	(225,000)	(25,000)	–
				1,125,000	(375,000)	750,000	(675,000)	(75,000)	–
Consultants	27.2.2013	28.2.2014 to 24.1.2023	9.152	2,500,000	–	2,500,000	(2,250,000)	–	250,000
	27.2.2013	28.2.2015 to 24.1.2023	9.152	2,500,000	–	2,500,000	(2,250,000)	–	250,000
	12.1.2018	12.1.2018 to 11.1.2028	3.232	8,750,000	–	8,750,000	(7,875,000)	–	875,000
				13,750,000	–	13,750,000	(12,375,000)	–	1,375,000
				26,700,000	(1,250,000)	25,450,000	(22,905,000)	(75,000)	2,470,000
Exercisable at the end of the year				26,700,000		25,450,000			2,470,000
Weighted average exercise price				0.4690	0.5008	0.4674		9.152	4.538

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### 2009 Share Option Scheme *(Continued)*

Notes:

- a) 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.

- b) The lapse of the share options is due to resignation of an employee (2021: retirement of a director and resignation of an employee).

### 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 30(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.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### 2020 Share Option Scheme *(Continued)*

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 2022 and 2021 under the 2020 Share Option Scheme.

## 32. 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.

### During the year ended 30 June 2021

The Group entered into several sale and purchase agreements for disposing certain subsidiaries of the Group. Details of the disposal of subsidiaries were summarised as follows:

- a) On 16 March 2021, Brand New Management Limited (“Brand New”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company which is an independent third party to the Group (the “Purchaser B”), pursuant to which Brand New had conditionally agreed to sell and the Purchaser B had conditionally agreed to purchase the entire equity interest of Joyrise Ventures Limited and its subsidiaries (the “Joyrise Group”), for a consideration of HK\$10,000. The disposal was completed on 17 March 2021.
- b) On 17 March 2021, 深圳前海卓佳時供應鏈有限公司 (“深圳前海卓佳時”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an individual which is an independent third party to the Group (the “Purchaser A”), pursuant to which 深圳前海卓佳時 had conditionally agreed to sell and the Purchaser A had conditionally agreed to purchase the entire equity interest of 金牛智鏈(北京)科技有限公司 (“金牛智鏈”), for a consideration of RMB5,000 (or equivalent to approximately HK\$6,000). The disposal was completed on 4 June 2021.
- c) On 22 June 2021, Brand New entered into a sale and purchase agreement with Mr. Li Ning, a chairman and an executive director of the Company, pursuant to which Brand New had conditionally agreed to sell and Mr. Li Ning had conditionally agreed to purchase the entire equity interest of Prosten Wealth Investment Limited and its subsidiary (the “Prosten Wealth Group”), for a consideration of HK\$1,458,000. The disposal was completed on 23 June 2021.
- d) On 22 June 2021, Brand New entered into a sale and purchase agreement with an individual which is an independent third party to the Group (the “Purchaser C”), pursuant to which Brand New had conditionally agreed to sell and the Purchaser C had conditionally agreed to purchase the entire equity interest of Century Height Limited and its subsidiaries (the “Century Height Group”), for a consideration of HK\$3,160,000. The disposal was completed on 25 June 2021.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 32. DISPOSAL OF SUBSIDIARIES (Continued)

During the year ended 30 June 2021 (Continued)

The net (liabilities)/assets of the abovementioned subsidiaries at the respective disposal dates were as follows:

	Joyrise Group HK\$'000	金牛智鏈 HK\$'000	Prosten Wealth Group HK\$'000	Century Height Group HK\$'000	Total HK\$'000
Analysis of assets and liabilities over which control was lost:					
Property, plant and equipment	–	–	–	8	8
Intangible assets	–	–	1,078	–	1,078
Amount due from ex-immediate holding company	–	–	–	2,023	2,023
Loan receivables (note)	–	–	–	–	–
Other receivables and deposit paid (note)	1,143	1,201	204	36,125	38,673
Bank balances and cash	387	–	162	442	991
Other payables, accruals and deposits received	(3,168)	(1,202)	(9)	(214)	(4,593)
Contract liabilities	–	–	–	(7,088)	(7,088)
Other borrowing	–	–	–	(28,150)	(28,150)
Net (liabilities)/assets disposed of	(1,638)	(1)	1,435	3,146	2,942
Gain on disposal	1,648	7	23	14	1,692
Total consideration	10	6	1,458	3,160	4,634
Satisfied by:					
Cash	10	6	1,458	3,160	4,634
Analysis of the net (outflow)/inflow of cash and cash equivalents in respect of disposal of subsidiaries:					
Cash consideration	10	6	1,458	3,160	4,634
Less: Cash and cash equivalents balances disposed of	(387)	–	(162)	(442)	(991)
	(377)	6	1,296	2,718	3,643

Note: At the completion date of disposal of Prosten Wealth Group, the net assets comprised of loan receivables and relevant interest receivables of approximately HK\$74,400,000 and HK\$11,267,000, and allowances for credit losses on loan receivables and the relevant interest receivables of approximately HK\$74,400,000 and HK\$11,267,000 respectively had been recognised as at the date of the disposal. Backgrounds and details of such loan receivables and the relevant interest receivables are disclosed in the Company's 2021 annual report and in note 21 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 33. CAPITAL COMMITMENTS

	2022 HK\$'000	2021 HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	1,133

In addition, 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.

## 34. 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 2022 and 2021, 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 2022 (2021: HK\$Nil). There were also no forfeited contributions available to reduce future contributions at the end of the reporting period (2021: HK\$Nil).

## 35. PLEDGE OF ASSETS

As at 30 June 2022, the Group's bank deposits with carrying amounts of approximately HK\$797,759,000 (2021: HK\$766,348,000) were pledged to banks as securities to obtain the banking facilities granted to the Group.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 36. RELATED PARTY DISCLOSURES

### a) Related party transactions

During the year, the Group has the following related party transactions:

Relationship	Nature of transactions	2022 HK\$'000	2021 HK\$'000
A director of the Company	Waiver of interest payable	–	372
	Proceeds from disposal of subsidiaries	–	1,458
A non-controlling shareholder of a subsidiary	Interest expense	1,163	4,709
Fellow subsidiaries of a non-controlling shareholder of a subsidiary	Purchase of gold and jewellery products	3,902	5,172
	Purchase return of gold and jewellery products	264	9,314
	Purchase of consumables	9	–
	License and service fee	283	519
	Repayment of lease liabilities	9,089	6,710
	Sale of jewellery	382	2,950
	Specialty fee	18	18
A company in which a director of a subsidiary has beneficial interest	Subcontracting fee	60	29
	Sundry income	–	245
	License and service fee	2,628	3,140

As at 30 June 2022, the ultimate holding company of a non-controlling shareholder of a subsidiary issued financial guarantee amounting to HK\$1,075,000,000 (2021: 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, 21, 24 and 28.

### c) Compensation of key management personnel

Directors are key management personnel of the Company whose remuneration is disclosed in note 10.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 37. 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 22, bank and other borrowings disclosed in note 29, loans from a non-controlling shareholder of a subsidiary disclosed in note 28 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.

## 38. FINANCIAL INSTRUMENTS

### a) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets</b>		
Equity instruments at FVTOCI	–	–
Derivative financial instruments	1,791	–
Financial assets at amortised cost	936,577	923,322
<b>Financial liabilities</b>		
Derivative financial instruments	1,979	3,239
At amortised costs	1,886,038	1,873,926

### 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, loans from a non-controlling shareholder of a subsidiary, derivative component of convertible bonds and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management 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 loans from a non-controlling shareholder of a subsidiary (note 28), fixed-rate bank and other borrowings (note 29) and fixed-rate convertible bonds (note 22). 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 and other borrowings (note 29).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. 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:

	2022 HK\$'000	2021 HK\$'000
Increase/decrease in loss for the year	7,818	7,430

##### Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's financial assets and liabilities are denominated in HK\$, RMB, MOP and United States Dollar ("US\$") which are currencies other than the functional currencies of the respective group entities (see respective notes). The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the monetary assets and liabilities, which are trade and other receivables, bank balances and cash, trade and other payables, accruals and deposits received, bank and other borrowings, loans from a non-controlling shareholder of a subsidiary and convertible bonds, that are denominated in currencies other than the functional currencies of the respective group entities of the Group at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
HK\$	4,566	586	194,792	244,608
RMB	95	21	–	–
US\$	45	273	–	–

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. FINANCIAL INSTRUMENTS (Continued)

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

#### Market risk (Continued)

##### Currency risk (Continued)

The sensitivity analysis does not include MOP denominated assets held by entity with HK\$ as its functional currency as it is expected that there would be no material currency risk exposure.

##### Currency risk sensitivity analysis

The foreign currency risk of the Group is mainly concentrated on the fluctuations of RMB against HK\$ and US\$. The sensitivity analysis below includes currency risk related to HK\$ and US\$ denominated monetary items of group entities whose functional currencies are RMB and also currency risk related to RMB denominated monetary items of group entities whose functional currencies are HK\$ and US\$.

The following table details the sensitivity of the Group to a 5% increase and decrease in RMB against HK\$ and US\$ respectively. 5% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates.

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.

	2022 HK\$'000	2021 HK\$'000
<b>Loss for the year</b>		
RMB against HK\$	9,507	12,200
RMB against US\$	(2)	(14)

##### 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. FINANCIAL INSTRUMENTS (Continued)

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

#### *Market risk (Continued)*

##### *Price risk sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If the share price of the Company had been 10% higher/lower, loss for the year would increase by HK\$98,000/decrease by HK\$33,000 (2021: increase by HK\$866,000/decrease by HK\$724,000) for the Group as a result of the change in fair value of derivative embedded in convertible bonds.

If the volatility of the share price of the Company had been 10% higher/lower, loss for the year would increase by HK\$44,000/decrease by HK\$45,000 (2021: increase by HK\$895,000/decrease by HK\$774,000) for the Group as a result of the change in fair value of derivative embedded in convertible bonds.

#### *Credit risk and impairment assessment*

As at 30 June 2022 and 2021, 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*

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 balances. 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.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. 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	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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. 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	
					2022	2021
					HK\$'000	HK\$'000
<b>Financial assets at amortised cost</b>						
Trade receivables	16	N/A (2021: N/A)	(Note 1)	Lifetime ECL-not credit-impaired (provision matrix)	46,218	49,637
Other receivables and deposits paid	16	N/A (2021: N/A)	(Note 2)	12-month ECL	8,872	11,179
Pledged bank deposits	23	Aa3 or above (2021: A1 or above)	N/A	12-month ECL	797,759	766,348
Bank balances	23	Baa2 or above (2021: Baa3 or above)	N/A	12-month ECL	83,391	94,568

Notes:

- For trade receivables, 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 customers which are assessed collectively as at 30 June 2022 within lifetime ECL (not credit-impaired).

#### 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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. 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 2021

Gross carrying amount

	Average loss rate	Trade receivables HK\$'000
Current (not past due)	–	43,199
1-30 days past due	–	3,741
31-60 days past due	–	456
61-90 days past due	–	349
Over 90 days past due	–	1,892
		49,637

During the year ended 30 June 2022, the Group recognised impairment allowance for trade receivables of approximately HK\$870,000 (2021: reversal of HK\$97,000), based on the collective assessment.

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

	Lifetime ECL (not credit- impaired) HK\$'000
As at 1 July 2020	89
Impairment losses reversed	(97)
Exchange realignment	8
As at 30 June 2021 and 1 July 2021	–
Impairment losses recognised	870
As at 30 June 2022	870

The origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately HK\$870,000 (2021: resulted in a decrease in loss allowance of approximately HK\$89,000).

- 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 2022 and 2021.
- During the year ended 30 June 2021, the Group disposed of entire equity interest of Prosten Wealth Investment Limited, the immediate holding company of Prosten Finance Limited, to Mr. Li Ning, an executive director of the Company, at consideration of HK\$1,458,000. Accordingly, the provision for impairment loss of loan receivable and relevant interest receivables of approximately HK\$85,667,000 were disposed of upon the disposal of subsidiaries. Details of disposal of subsidiaries are set out in note 32 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. 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 has available unutilised revolving banking facilities of HK\$586,500,000 (2021: HK\$664,000,000). Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings and convertible bonds as significant sources of liquidity. The Group's current liabilities exceeded its current assets by HK\$172,628,000 (2021: HK\$114,017,000) and its total liabilities exceeded its total assets by HK\$179,040,000 (2021: HK\$121,619,000) as at 30 June 2022. 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 2022	Weighted	On demand or in 30 days	31 to 90 days	91 to 365 days	1 to 2 years	2 to 5 years	Total	Carrying amounts
	average interest rate						undiscounted cash flow	
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	1,455,000	-	110,314	-	-	1,565,314	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
		1,539,547	2,351	165,106	191,011	762	1,898,777	1,886,038

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk (Continued)

#### Liquidity table (Continued)

As at 30 June 2021	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	0.90	115,341	-	-	-	-	115,341	115,341
Franchisee guarantee deposits	-	-	-	47,368	-	-	47,368	47,368
Bank borrowings:								
- fixed rate	11.57	22,089	-	-	-	-	22,089	18,000
- variable rate	1.86	1,336,000	-	152,600	-	-	1,488,600	1,486,000
Lease liabilities	8.00	1,078	1,916	2,593	2,493	775	8,855	8,300
Convertible bonds	17.01	-	-	3,198	83,148	-	86,346	71,917
Loans from a non-controlling shareholder of a subsidiary								
- interest free	-	-	-	-	100,000	-	100,000	100,000
- fixed rate	17.44	27,280	-	-	-	-	27,280	27,000
		1,501,788	1,916	205,759	185,641	775	1,895,879	1,873,926

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 2022, the aggregate amounts of these bank loans amounted to HK\$1,455,000,000 (2021: HK\$1,336,000,000). 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
<b>As at 30 June 2022</b>			
Bank borrowing with a repayment on demand clause	1,457,154	1,457,154	1,455,000
<b>As at 30 June 2021</b>			
Bank borrowings with a repayment on demand clause	1,337,185	1,337,185	1,336,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. FINANCIAL INSTRUMENTS (Continued)

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

#### *Interest rate benchmark reform*

As listed in note 29 to the consolidated financial statements, several of the Group's HIBOR bank borrowings will or may 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 regulator and acknowledge from the banks.

The amendments have had no impact on the consolidated financial statements as none of the relevant HIBOR bank borrowings has been transitioned to the relevant replacement rates during the year.

#### *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).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. FINANCIAL INSTRUMENTS (Continued)

### c) Fair value measurements of financial instruments (Continued)

#### Fair value measurements and valuation processes (Continued)

Financial assets/liabilities included in the consolidated statement of financial position

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	2022	2021			
	HK\$'000	HK\$'000			
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	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	1,979	3,239	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:

- The higher the discount for lack of marketability and minority discount, the lower the fair value of the unquoted equity investment.
- The higher the volatility of the share price of the Company, the higher the fair value of 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 22 to the consolidated financial statements.

There is no transfer between different levels of the fair value hierarchy for the years ended 30 June 2022 and 2021.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 38. 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.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 39. 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 2020	2,479	1,535,400	24,721	127,000	70,448	1,760,048
Financing cash flows:						
– Interest paid	(1,144)	(29,433)	–	(4,762)	–	(35,339)
– Repayment of lease liabilities, including related interests	–	–	(19,965)	–	–	(19,965)
– New bank and other borrowings raised	–	28,150	–	–	–	28,150
– Repayment of bank and other borrowings	–	(31,400)	–	–	–	(31,400)
– New loan raised from a non-controlling shareholder of a subsidiary	–	–	–	27,000	–	27,000
– Repayment of loan from a non-controlling shareholder of a subsidiary	–	–	–	(27,000)	–	(27,000)
Total change from financing cash flows	(1,144)	(32,683)	(19,965)	(4,762)	–	(58,554)
Change in fair value of derivatives embedded in convertible bonds	–	–	–	–	(8,971)	(8,971)
COVID-19-related rent concessions received	–	–	(2,514)	–	–	(2,514)
Interest expenses	1,053	29,433	1,241	4,709	10,176	46,612
Addition of lease liabilities	–	–	6,514	–	–	6,514
Modification of lease	–	–	(2,604)	–	–	(2,604)
Coupon interest accrued at included in other payables	3,198	–	–	–	(3,198)	–
Interest accrued at 1 July 2020 and included in other payables	(174)	–	–	174	–	–
Interest accrued at 30 June 2021 and included in other payables	121	–	–	(121)	–	–
Disposals of subsidiaries (note 32)	–	(28,150)	–	–	–	(28,150)
Exchange realignment	–	–	907	–	6,701	7,608
As at 30 June 2021	5,533	1,504,000	8,300	127,000	75,156	1,719,989

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 40. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	75	65
Loan to a subsidiary	–	–
Investments in subsidiaries	170,397	170,397
Equity instruments at FVTOCI	–	–
	<b>170,472</b>	170,462
<b>Current assets</b>		
Other receivables and deposits paid	684	257
Amounts due from subsidiaries	1,694	27,108
Derivative component of convertible bonds	1,791	–
Bank balances and cash	1,865	97
	<b>6,034</b>	27,462
<b>Current liabilities</b>		
Other payables, accruals and deposits received	8,454	22,447
Other borrowings	–	18,000
Loan from a non-controlling shareholder of a subsidiary	–	27,000
Derivative component of convertible bonds	1,979	3,239
Financial guarantee liabilities	18,320	12,435
Amounts due to subsidiaries	34,729	25,876
	<b>63,482</b>	108,997
<b>Net current liabilities</b>	<b>(57,448)</b>	(81,535)
<b>Total assets less current liabilities</b>	<b>113,024</b>	88,927
<b>Non-current liabilities</b>		
Convertible bonds	81,072	71,917
<b>NET ASSETS</b>	<b>31,952</b>	17,010
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	270	61,868
Reserves (note)	31,682	(44,858)
<b>TOTAL EQUITY</b>	<b>31,952</b>	17,010

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 40. 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 2020	787,648	55,327	4,543	(13,469)	(11,080)	(825,651)	(2,682)
Loss for the year	–	–	–	–	–	(27,225)	(27,225)
Exchange difference arising on translation	–	–	–	–	(14,861)	–	(14,861)
Fair value loss on equity instruments at FVTOCI	–	–	–	(90)	–	–	(90)
Total comprehensive expense for the year	–	–	–	(90)	(14,861)	(27,225)	(42,176)
Release upon disposal of equity instruments at FVTOCI	–	–	–	7,551	–	(7,551)	–
Lapse of share options	–	–	(240)	–	–	240	–
At 30 June 2021	787,648	55,327	4,303	(6,008)	(25,941)	(860,187)	(44,858)
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 30)	–	61,713	–	–	–	–	61,713
Issue of shares, net of transaction costs (note 30)	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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 30 June 2022 and 2021 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
				2022	2021	2022	2021	
3D-GOLD Company Limited	Hong Kong	N/A (2021: N/A)	HK\$100 (2021: 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 (2021: US\$62,854,300)	US\$62,854,300 (2021: 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 (2021: N/A)	HK\$2 (2021: HK\$2)	100%	100%	50%*	50%*	Holding of trademark
3D-GOLD Jewellery (HK) Limited	Hong Kong	N/A (2021: N/A)	HK\$100 (2021: HK\$100)	100%	100%	50%*	50%*	Retailing of gold and jewellery products in Hong Kong
3D-GOLD Management Services Limited	Hong Kong	N/A (2021: N/A)	HK\$1 (2021: HK\$1)	100%	100%	50%*	50%*	Provision of management services
TP Properties (HK) Limited	Hong Kong	N/A (2021: N/A)	N/A (2021: HK\$100)	N/A	100%	N/A	100%	Disposed in 2022 (2021: Investment holding)
Brand New Management Limited	British Virgin Islands	US\$50,000 (2021: US\$50,000)	US\$1 (2021: US\$1)	100%	100%	100%	100%	Investment holding
China Gold Silver Group Company Limited ("CGS")	British Virgin Islands	US\$50,000 (2021: US\$50,000)	US\$3,334 (2021: US\$3,334)	50%	50%	50%	50%	Investment holding
China Gold Silver (JV) Company Limited	British Virgin Islands	US\$50,000 (2021: US\$50,000)	US\$100 (2021: US\$100)	100%	100%	50%*	50%*	Investment holding
China Gold Silver (JV) HK Company Limited	Hong Kong	N/A (2021: N/A)	HK\$100 (2021: HK\$100)	100%	100%	50%*	50%*	Investment holding
Faithful Master Investments Limited	Hong Kong	N/A (2021: N/A)	HK\$1 (2021: HK\$1)	100%	100%	100%	100%	Investment holding
Goldace Development Limited	British Virgin Islands	US\$50,000 (2021: US\$50,000)	US\$100 (2021: US\$100)	100%	100%	100%	100%	Investment holding
Great Tactic Limited	British Virgin Islands	US\$50,000 (2021: US\$50,000)	US\$1 (2021: US\$1)	100%	100%	100%	100%	Rental holding

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 41. 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
				2022	2021	2022	2021	
Gold Ocean Jewellery Company Limited	Macau	MOP500,000 (2021: MOP500,000)	MOP500,000 (2021: MOP500,000)	100%	100%	50%*	50%*	Retailing of gold and jewellery products in Macau
Golden Zone International Limited	British Virgin Islands	US\$50,000 (2021: US\$50,000)	US\$1 (2021: US\$1)	100%	100%	50%*	50%*	Investment holding
Jin Song Shu Properties Limited	Hong Kong	N/A (2021: N/A)	HK\$100 (2021: HK\$100)	100%	100%	100%	100%	Investment holding
Rainbow Genins Investments Limited	Hong Kong	N/A (2021: N/A)	HK\$1 (2021: HK\$1)	100%	100%	100%	100%	Investment holding
Special Link Limited	Hong Kong	N/A (2021: N/A)	HK\$1 (2021: HK\$1)	100%	100%	50%*	50%*	Investment holding
Talent Wonder Limited	British Virgin Islands	US\$50,000 (2021: US\$50,000)	US\$1 (2021: US\$1)	100%	100%	100%	100%	Investment holding
Think Bright Global Limited	British Virgin Islands	US\$50,000 (2021: US\$50,000)	US\$1 (2021: US\$1)	100%	100%	100%	100%	Investment holding
Ultra Best Global Limited	British Virgin Islands	US\$50,000 (2021: US\$50,000)	US\$50,000 (2021: US\$50,000)	100%	100%	100%	100%	Investment holding
Value Management International Limited	Hong Kong	N/A (2021: N/A)	HK\$1 (2021: HK\$1)	100%	100%	100%	100%	Provision of new media marketing services in Mainland China (2021: Not yet commence business)
上海金至尊鑽石有限公司(Note b)	PRC	RMB1,000,000 (2021: RMB1,000,000)	RMB1,000,000 (2021: 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 (2021: RMB1,000,000)	RMB1,000,000 (2021: RMB1,000,000)	100%	100%	50%*	50%*	Retailing & franchising operations of gold and jewellery products in Mainland China
深圳勝力供應鏈技術有限公司 (Note f)	PRC	N/A (2021: RMB10,000,000)	N/A (2021: N/A (Note d))	N/A	100%	N/A	100%	Disposed in 2022 (2021: Investment holding)
至尊金業(深圳)有限公司(Note b)	PRC	RMB1,000,000 (2021: RMB1,000,000)	RMB1,000,000 (2021: RMB1,000,000)	100%	100%	50%*	50%*	Retailing & franchising operations of gold and jewellery produces in Mainland China

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 41. 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
				2022	2021	2022	2021	
重慶金至尊珠寶有限公司(Note b)	PRC	RMB5,000,000 (2021: RMB5,000,000)	RMB5,000,000 (2021: 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 (2021: RMB5,000,000)	RMB5,000,000 (2021: RMB5,000,000)	100%	100%	50%*	50%*	Retailing & franchising operations of gold and jewellery products in Mainland China
重慶金至尊飾品設計有限公司 (Note b)	PRC	RMB5,000,000 (2021: RMB5,000,000)	RMB5,000,000 (2021: RMB5,000,000)	100%	100%	50%*	50%*	Design and wholesales of gold and jewellery products
金尊影業(無錫)有限公司(Note b)	PRC	N/A (2021: RMB1,000,000)	N/A (2021: N/A (Note d))	N/A	100%	N/A	100%	Disposed in 2022 (2021: Movie production)
臻福珠寶(北京)有限公司 (Note b)	PRC	RMB500,000 (2021: RMB500,000)	RMB500,000 (2021: RMB500,000)	100%	100%	50%*	50%*	Retailing of gold and jewellery products in Mainland China
北京智耘零科技有限公司 (Note b)	PRC	RMB6,000,000 (2021: RMB6,000,000)	RMB1,810,000 (2021: N/A (Note d))	100%	100%	100%	100%	Not yet commence business (2021: Not yet commence business)
上海智耘零網絡科技有限公司 (Notes b & e)	PRC	RMB5,000,000 (Note e) (2021: N/A)	N/A (note d) (2021: N/A)	100%	N/A	100%	N/A	Not yet commence business (2021: N/A)
天津智耘零科技有限公司 (Notes b & e)	PRC	RMB10,000,000 (2021: N/A)	N/A (Note d) (2021: N/A)	51%	N/A	51%	N/A	Provision of new media marketing services in Mainland China (2021: N/A)
Champion Horizon Holdings Limited (Note e)	British Virgin Islands	US\$50,000 (2021: N/A)	US\$1 (2021: N/A)	100%	N/A	100%	N/A	Not yet commence business (2021: N/A)
Champion Charming Limited (Note e)	Hong Kong	N/A (2021: N/A)	HK\$1 (2021: N/A)	100%	N/A	100%	N/A	Not yet commence business (2021: N/A)

\* The entities are the wholly owned subsidiaries of CGS and regarded as subsidiaries of the Group (Note 5).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

- a) The Company directly holds the interest in Brand New Management Limited and China Gold Silver Group Company Limited. All other interests in subsidiaries shown above are indirectly held by the Company.
- b) These companies established in the PRC are wholly owned foreign enterprises.
- c) 3D-GOLD Jewellery Co. Ltd. established in the PRC is a sino-foreign joint venture company.
- d) Registered capital of these subsidiaries was not paid-up as at 30 June 2022 and/or 30 June 2021.
- e) These companies were established during the year ended 30 June 2022.
- f) Prior to its disposal during the year ended 30 June 2022, the company established in the PRC is a wholly owned foreign enterprise.

### 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)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2022	2021	2022	2021	2022	2021
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
CGS	British Virgin Islands	PRC	50%	50%	(38,912)	1,135	(99,137)	(54,827)

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.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 41. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (Continued)

### CGS and its subsidiaries

	2022 HK\$'000	2021 HK\$'000
Current assets	1,543,566	1,587,967
Non-current assets	220,607	209,357
Current liabilities	(1,715,508)	(1,661,866)
Non-current liabilities	(246,938)	(245,112)
Deficit attributable to owners of CGS	(198,273)	(109,654)
Revenue and other income	738,451	883,085
Expenses	(815,510)	(880,912)
(Impairment loss)/reversal of impairment loss on trade receivables recognised under expected credit loss model	(765)	97
(Loss)/profit for the year attributable to owners of CGS	(77,824)	2,270
Other comprehensive (expense)/income for the year attributable to owners of CGS	(10,795)	23,378
Total comprehensive (expense)/income for the year attributable to owners of CGS	(88,619)	25,648
Net cash inflow from operating activities	18,010	45,179
Net cash (outflow)/inflow from investing activities	(40,530)	6,963
Net cash inflow/(outflow) from financing activities	37,014	(71,872)
Net cash inflow/(outflow)	14,494	(19,730)

## 42. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following event after the end of the reporting period:

On 11 August 2022, the Company, Ultra Best Global Limited, which is an indirect wholly-owned subsidiary of the Company (the “Purchaser”), and two individuals (namely the “Vendor A” and the “Vendor B”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which the Purchaser has conditionally agreed to purchase, and Vendor A and Vendor B have conditionally agreed to sell (i) the entire issued share capital of Meta Cosmos Limited (the “Target Company A”) and Pioneer Digital Technology Co., Limited (the “Target Company B”) respectively; and (ii) all obligations, liabilities and debts owing or incurred by the Target Company A to the Vendor A and by the Target Company B to the Vendor B (whether actual, contingent or deferred), at an aggregate consideration of HK\$15,587,000 (the “Consideration”). The Consideration shall be settled by way of allotment and issue of 53,934,320 ordinary shares of the Company at an issue price of approximately HK\$0.289 per share, in which 44,028,016 ordinary shares of the Company shall be allotted and issued to the Vendor A, and 9,906,304 ordinary shares of the Company shall be allotted and issued to the Vendor B.

As at 11 August 2022, 天津智耘貳零科技有限公司 (“天津智耘”) is a non-wholly owned subsidiary of the Company in which the Group holds 51% of the registered capital of 天津智耘. While the Target Company A and the Target Company B hold 40% and 9% of the registered capital of 天津智耘 respectively. Upon the completion of the aforesaid acquisitions, 天津智耘 will become an indirect wholly-owned subsidiary of the Company.

As at the date of this report, the aforesaid acquisitions are not completed and are subject to the fulfillment of various conditions as stipulated in the Sale and Purchase Agreement by 31 December 2022 or such other date as the parties to the Sale and Purchase Agreement may agree.

# 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				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	901,974	855,820	804,863	1,460,953	1,459,466
Loss before taxation	(129,759)	(8,628)	(92,411)	(222,091)	(49,872)
Income tax credit/(expense)	12,955	(5,349)	(26,655)	(8,788)	(18,404)
Loss for the year	(116,804)	(13,977)	(119,066)	(230,879)	(68,276)
Total comprehensive expense for the year attributable to owners of the Company	(71,639)	(14,997)	(66,660)	(196,060)	(47,654)
	As at 30 June				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Total assets	1,786,258	1,828,079	1,863,741	2,348,481	2,272,694
Total liabilities	(1,965,298)	(1,949,698)	(1,983,187)	(2,357,628)	(2,076,148)
Non-controlling interests	98,109	54,827	67,651	3,012	(56,795)
(Deficit)/equity attributable to owners of the Company	(80,931)	(66,792)	(51,795)	(6,135)	139,751