



Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

ANNUAL REPORT 2021



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAU Lai Him (*Chairman and Managing Director*)

CHAU Chi Ho (*Deputy Chairman*)

LIU Dong Yang

Independent Non-Executive Directors

CHUNG Kam Kwong

LO Wai Ming

LO Chao Ming

COMPANY SECRETARY

CHAN Kam Yee

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 15, 18/F, Concordia Plaza

1 Science Museum Road

Tsim Sha Tsui

Kowloon

Hong Kong

STOCK CODE

1166

WEBSITE

www.1166hk.com

AUDITOR

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

LEGAL ADVISOR

Herbert Smith Freehills

23/F, Gloucester Tower

15 Queen's Road Central

Hong Kong

BERMUDA 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 Secretaries Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKS (IN ALPHABETICAL ORDER)

Bank of China Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

FINANCIAL RESULTS

The Board of Directors (the “**Directors**” or “**Board**”) of Solartech International Holdings Limited (the “**Company**”) announces that for the year ended 30 June 2021 (the “**year under review**”), total turnover of the Company and its subsidiaries (collectively, the “**Group**”) was approximately HK\$433,049,000, representing an increase of 50.2% as compared to approximately HK\$288,271,000 recorded for the corresponding period last year. During the year under review, profit attributable to owners of the Company was approximately HK\$156,346,000 as compared to the loss attributable to owners of the Company of approximately HK\$142,259,000 for the corresponding period last year. Earnings per share for the year under review was approximately HK\$0.066 (Loss per share for 2019/2020: HK\$0.06).

BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK\$433,049,000, representing an increase of 50.2% as compared to approximately HK\$288,271,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK\$278,995,000, representing an increase of 56.6% as compared to approximately HK\$178,209,000 for the same period of last year and accounted for 64.4% of the Group's total turnover. Turnover of the copper rod business was approximately HK\$140,300,000, representing an increase of 43.1% as compared to approximately HK\$98,045,000 for the same period of last year and accounted for 32.4% of the Group's total turnover. Turnover of the leasing business was approximately HK\$13,754,000, representing an increase of 14.5% as compared to approximately HK\$12,017,000 for the same period of last year and accounted for 3.2% of the Group's total turnover. Other business remained dormant during the year under review.

By geographical market segments, turnover from the business in the Americas increased by 100.2% to approximately HK\$38,843,000 from approximately HK\$19,399,000 for the same period of last year, accounting for 9.0% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong increased by 41.6% to approximately HK\$305,932,000 from approximately HK\$216,121,000 for the same period of last year, accounting for 70.7% of the Group's total turnover. Turnover from the business in Europe increased by 60.2% to approximately HK\$61,646,000 from approximately HK\$38,479,000 for the same period of last year, accounting for 14.2% of the Group's total turnover. Turnover from the business in other regions increased by 86.6% to approximately HK\$26,628,000 from approximately HK\$14,272,000 for the same period of last year, accounting for 6.1% of the Group's total turnover.

Cables and Wires

The Group's turnover of the cables and wires business for the year under review was approximately HK\$278,955,000, representing an increase of 56.6% as compared to approximately HK\$178,209,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the year under review, people's lifestyles changed amid the ongoing COVID-19 pandemic as they spent more time working or studying at home, which led to a sharp increase in the demand for household appliances. With the recovery of global economy, the delivery delays caused by the overwhelming demand for logistics were on the rise. Overseas customers intended to increase their inventories of household appliances in order to meet market demand. Moreover, the copper price hit a record high during the year under review. The above factors contributed to the substantial growth of the Group's cables and wires business during the year under review.

CHAIRMAN'S STATEMENT

Copper Rod Business

The copper rod business includes the trading of copper rods and copper wires and their related products. During the year under review, the turnover of the copper rod business was approximately HK\$140,300,000, representing an increase of 43.1% as compared to approximately HK\$98,045,000 for the corresponding period of last year. International copper prices increased during the year under review, and the 3-month London Metal Exchange copper price increased from approximately US\$6,300 per tonne at the beginning of the year under review to approximately US\$9,400 per tonne at the end of the year under review. With the prospects of economic recovery, copper prices rebounded markedly and the copper rod trading business also recorded growth. The Group has been closely monitoring the development of the operating environment and adopted targeted marketing strategies accordingly.

Rental Income

Investment properties of the Group mainly comprise industrial properties in Hong Kong and the PRC. During the year under review, rental income was approximately HK\$13,754,000, representing an increase of approximately 14.5% as compared with approximately HK\$12,017,000 for the same period of last year. During the year under review, the Group made good use of its land and plant resources to generate more rental income.

Mining

Copper is one of the metals most widely used in finished goods, civil construction, telecommunications and automobile manufacturing, and the demand for copper in such fields has been unaffected by the COVID-19 pandemic. The rise in copper prices in the past year was mainly driven by the high demand from China, the world's largest copper consumer, and the growing optimism on the global economic recovery in light of the rollout of the COVID-19 vaccines. Significant uncertainties surrounding copper production in Chile and Peru, the world's two largest copper producers, also played a part. Chile's hasty closure of its borders to cope with the severe COVID-19 situation, coupled with its domestic port strikes and labour disputes, affected its copper supply and production. As such, the global supply of copper was disrupted while the demand remained robust.

During the year under review, copper prices rose to a record high of US\$10,720 per tonne, which was quite unexpected as the global economy was plagued by the COVID-19 pandemic. In light of the surge in copper prices, in calculating the recoverable amount of the cash generating unit to which the mining right belongs (the "Mining CGU") as part of the procedure for the impairment test for the year, the copper price assumption adopted ranged from US\$5,795 per tonne to US\$8,452 per tonne as forecasted at the end of the year under review, which was higher than the spot price of approximately US\$6,038 per tonne at the end of the last year adopted for the previous year. Based on the assessment, the carrying amount of the Mining CGU was HK\$429,408,000, which was lower than its recoverable amount of HK\$559,614,000, resulting in a reversal of impairment losses on the mining right of HK\$130,206,000 previously recognised, which was attributable to the increase in recoverable amount of the Mining CGU as a result of higher copper price. The details of the reversal are set out in Note 18 to the consolidated financial statements of this report.

The Group noted that the International Copper Study Group (ICSG) stated in the middle of the year that there would be market surpluses for the current year and the next year as copper producers intend to expand their production capacity. If the ICSG forecast is correct, then the current high copper prices are not reasonable and should be much lower. In addition, Europe's slow recovery from the pandemic and China's measures to stabilise prices amid worries about runaway inflation have affected the commodities outlook in the both regions. Therefore, the calculation of the recoverable amount of the Mining CGU is based on

CHAIRMAN'S STATEMENT

the copper price predicted by the World Bank in its commodity forecast report for the current year instead of period-end spot price adopted for previous periods, as the surge of copper prices in a short time span during the year under review resulted from various reasons and the Group does not want the valuation of the mining right being subject to significant impairment or reversal of impairment loss due to the fluctuations of copper prices.

Mongolia has imposed quarantine, entry ban and other restrictions to cope with the pandemic, and travel in the country has been very limited, including a complete ban on all international travel by road, rail or air. Mongolia has been very vulnerable to the pandemic due to its own inadequate health care system. The Centers for Disease Control and Prevention has recommended that foreigners should avoid going to Mongolia, which would reduce the willingness of experts and workers to travel to Mongolia. As long as these measures remain in place, they will have negative impacts on the establishment of our processing plant and the purchase of mining equipment, and complicate our decision-making on investment in Mongolia.

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. No revenue was recorded for the year under review as these projects did not carry out any production activities. Apart from the work required to maintain mining rights, no large-scale capital investment was made.

Advertising Business

The Group owns 49% of the issued capital of Idea International Holdings Limited. To cope with the impact of the COVID-19 pandemic, corporate customers slashed their budget on advertisements to reduce operating costs during the year under review. As a result, China's advertising market as a whole experienced a significant decline, with the conventional advertising segment being the worst hit. Furthermore, the rise of new media and the de-intermediation of brands have led to a difficult business environment and tricky prospects for traditional advertising companies.

PROSPECTS

Looking forward to the coming year, there will be opportunities as well as challenges. Thanks to the availability of vaccines, the pandemic has been gradually brought under control. The global economy is expected to see a steady recovery in the coming year as various countries and their central banks have rolled out stimulus policies. Therefore, the operating environment of the Group's cables and wires and copper rod businesses are expected to continue to improve greatly. The Group will capitalise on the improvement of the operation environment and closely monitor the impact of the evolving COVID-19 situation on the economy and its business so as to adjust its sales strategy and ramp up its production capacity in a timely manner to increase its revenue.

During the year under review, the Group proceeded with the construction of its factory building in Dongguan, the PRC. The Directors are keen to fully utilise the Group's existing land resources by constructing modern factory buildings thereon, with a view to generating new income for the Group.

During the year under review, due to the uncertainty brought by the COVID-19 pandemic, the Group has suspended the construction works of 廉江市周氏石材有限公司 (Lianjiang Zhou's Marble Company Limited*), an indirect non-wholly owned subsidiary of the Group, to reconsider the development prospect of the project and look for potential partner(s) to jointly develop the project.

The Group will proactively identify potential business partner(s) and new business opportunities with growth potential to achieve a balanced development with existing operations, expand its income sources, realise diversified and sustainable development and increase shareholders' value.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, the shareholders, staff and management of the Company for their continuous dedication, commitment and support in the past year.

On behalf of the Board

Chau Lai Him

Chairman and Managing Director

29 September 2021

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAU Lai Him, aged 70, is the Chairman and Managing Director of the Company and the founder of the Group. Mr. Chau has been appointed as an executive Director of the Company since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 40 years' experience in the cable and wire industry and extensive experience in the mining industry. Mr. Chau is the father of Mr. Chau Chi Ho, the Deputy Chairman and executive Director of the Company.

Mr. CHAU Chi Ho, aged 39, has been appointed as an executive Director since April 2015 and was appointed as the deputy chairman of the Company on 21 June 2019. He is the financial controller of Chau's Electrical Company Limited. He is responsible for accounting and financial management of the subsidiaries of the Group in Hong Kong and Dongguan. He holds a bachelor's degree in Business Administration from the California State Polytechnic University Pomona, United States and has more than 10 years' experience in finance and accounting. He is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company.

Mr. LIU Dong Yang, aged 47, has been appointed as an executive Director since January 2010. Mr. Liu is the general manager of Shanghai Chau's Electrical Company Limited and is responsible for its overall operations. He holds a college diploma in international finance from Hunan Finance and Economics College and a bachelor degree in business administration from the distance education college of Renmin University of China. He has more than 25 years' experience in finance and accounting and has more than 20 years' experience in manufacturing management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Kam Kwong, aged 64, has been appointed as an independent non-executive Director of the Company since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics, major in Accounting, from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management. He is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

Mr. LO Wai Ming, aged 69, has been appointed as an independent non-executive Director of the Company since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has more than 35 years' experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a fellow of the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 56, has been appointed as an independent non-executive Director of the Company since November 2006. He is the general manager of Sunf Pu Technology Co., Ltd, a company incorporated in Taiwan, Republic of China. He has more than 30 years' experience in the cable and wire industry.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. CHAN Kam Yee, Shirley, aged 61, has been appointed as the company secretary of the Company since November 2007. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She has more than 30 years' experience in finance and accounting and more than 25 years' experience in company secretarial affairs.

SENIOR MANAGEMENT

Ms. LAM Sui Lan, Miranda, aged 52, rejoined the Group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 25 years' experience in sales and marketing in the field of cable and wire products.

Mr. TSUI Lok Kin, aged 40, joined the Group in April 2016 and is the finance manager of Chau's Electrical Co., Ltd and is responsible for accounting and financial management. He holds a bachelor degree in Business from the Monash University, Australia. He is a member of the CPA Australia and has more than 10 years' experience in auditing, finance and accounting.

Mr. LI Kai Yau, aged 43, joined the Group in July 2019 and is the general manager of Dongguan Qiaozi Chau's Electrical Co., Ltd. ("**Dongguan Qiaozi Chau's**") and Dongguan Hua Yi Brass Products Co., Ltd. ("**Dongguan Hua Yi**"). He is responsible for the overall operations of Dongguan Qiaozi Chau's and Dongguan Hua Yi. He has more than 10 years' experience in manufacturing management.

Mr. ZHOU Qi Qin, aged 57, joined the Group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's. He is responsible for the production operations of the Dongguan Qiaozi's manufacturing facilities. He has more than 30 years' experience in manufacturing management.

The Directors present their annual report and the audited financial statements of the Group for the year ended 30 June 2021 (the “Financial Statements”).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the Group is principally engaged in the cables and wires business, copper rod business, property investment business, mining business and advertising business. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in Notes 20, 21 and 22 to the Financial Statements, respectively. An analysis of the revenue from the principal activities during the year ended 30 June 2021 (the “Financial Year” or “the year under review”) is set out in Notes 6 and 7 to the Financial Statements. Further discussion and analysis of the operating activities of the Group during the Financial Year, and an indication of likely future developments in the Group's business, as required by Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong), can be found in the section headed the “Chairman's Statement” as set out on pages 3 to 6 of this annual report. Such discussion forms part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To the best of knowledge and belief, the Directors consider that the followings are the key risks and uncertainties identified by the Group as at the date of this directors' report.

Risk in Mining Business

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. As there are still many uncertainties in the Mongolian and the international mineral markets, apart from the necessary work to maintain mining rights, no large scale capital investment was made during the year under review. The management will closely monitor the investment risks of Mongolia and make adjustments to the investment strategies accordingly.

Foreign Exchange Rate Risk

The cash and cash equivalents of the Group are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The majority of the Group's operations are located in the PRC. The Company continues to pay regular and active attention to fluctuations in the Renminbi exchange rate and any exchange risks.

Market Risk

Market risk is the risk arising from the movement in market prices, such as, foreign exchange rates and interest rates, which reduces profitability or affects ability to meet business objectives. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Interest Rate Risk

For interest-sensitive investments, the Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through a variety of means.

DIRECTORS' REPORT

SIGNIFICANT INVESTMENT

The Group did not make any significant investment during the year under review and the Group does not have any other plans for material investments or capital assets or disposals as at the date of this directors' report.

CAPITAL STRUCTURE

The Company did not make any fund raisings or any capital reorganisation during the year under review and the Group does not have any other fund raising plans as at the date of this report.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2021.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Group as well as preserving the interests of its Shareholders as a whole. The Company has adopted and committed to the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has prepared the corporate governance report. The Board will continue to review and monitor the practices of the Group with an aim to maintaining the highest standard of corporate governance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving.

We have completed our Environmental, Social and Governance ("**ESG**") report which contains our ESG information in 2020/2021 and the requirements under the ESG Reporting Guide the ("**ESG Guide**" or the "**Guide**") of the Listing Rules. The ESG Report of the Company for the year ended 30 June 2021 is set out on pages 34 to 52 of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus the Group provides a competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationships with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners or bank enterprises.

RESULTS

The results of the Group for the year ended 30 June 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 59 and 60 of this annual report.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2021.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 156 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of additions and other movements during the year ended 30 June 2021 in the property, plant and equipment of the Group are set out in Note 15 to the Financial Statements.

SHARE CAPITAL

During the year ended 30 June 2021, no share options were exercised and no new ordinary shares of par value of HK\$0.01 each ("**Shares**") in the share capital of the Company were issued during the year ended 30 June 2021.

Details of changes in the share capital of the Company during the year ended 30 June 2021 are set out in Note 35 to the Financial Statements.

RESERVES

The Company's distributable reserve as at 30 June 2021 was Nil (30 June 2020: Nil). Details of movements in the reserves of the Group during the year ended 30 June 2021 are set out in the consolidated statement of changes in equity on pages 63 and 64 of this annual report.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

During the year ended 30 June 2021, related party transactions which do not constitute connected transaction under the Listing Rules was Nil as disclosed in Note 42 to the Financial Statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 June 2021.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 30 June 2021, the Group implemented a prudent financial management policy. As at 30 June 2021, the Group had cash and bank balances amounting to approximately HK\$67 million (30 June 2020: HK\$64 million) and value of net current assets was approximately HK\$68 million (30 June 2020: HK\$121 million). The Group's gearing ratio as at 30 June 2021 was 0.23 (30 June 2020: 0.18), being a ratio of total borrowings of approximately HK\$270 million (30 June 2020: HK\$183 million) to shareholders' funds of approximately HK\$1,200 million (30 June 2020: HK\$1,017 million).

CHARGES ON GROUP ASSETS

As at 30 June 2021, the Group had pledged investment properties with an aggregate net book value of approximately HK\$364 million (30 June 2020: HK\$310 million) and pledged bank deposit of HK\$72 million (30 June 2020: HK\$2 million) to secure general banking facilities granted to the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 30 June 2021 are set out in Note 31 to the Financial Statements.

CONTINGENT LIABILITIES

As at 30 June 2021, the Company had issued guarantees to the extent of approximately HK\$50 million (30 June 2020: HK\$54 million) to secure the total loans of approximately HK\$50 million (30 June 2020: HK\$54 million) granted to its subsidiaries.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

For the year under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2021 and the changes in fair value were charged to the income statement. The net loss from the Derivative Financial Instruments for the year under review was approximately HK\$507,000 (2019/2020: net loss of HK\$134,000).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year under review and up to the date of this directors' report were:

Executive Directors:

Mr. Chau Lai Him (*Chairman and Managing Director*)

Mr. Chau Chi Ho (*Deputy Chairman*)

Mr. Liu Dong Yang

Independent non-executive Directors:

Mr. Chung Kam Kwong

Mr. Lo Wai Ming

Mr. Lo Chao Ming

Messrs. Chau Chi Ho, Chung Kam Kwong and Lo Wai Ming will retire by rotation from office as Directors at the forthcoming annual general meeting and Messrs. Chau Chi Ho, Chung Kam Kwong and Lo Wai Ming, being eligible, will offer themselves for re-election pursuant to Bye-law 87 of the Bye-laws of the Company.

Independent non-executive Directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the Directors 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of Directors and senior management of the Group are set out on pages 7 to 8 to this annual report.

LITIGATION INVOLVING DIRECTORS OF THE COMPANY

In addition, as disclosed in the Company's announcement dated 5 June 2020, legal action has been taken by CS Asia Opportunities Master Fund to join, among other things, Mr. Chau Lai Him and Mr. Chau Chi Ho, the executive Director and the son of Mr. Chau Lai Him, as the 2nd defendant and the 3rd defendant respectively to the legal proceedings in High Court of Hong Kong against a Mr. Zhou ("**Mr. Zhou**") in relation to a purported oral guarantee given by Mr. Chau Lai Him and/or Mr. Chau Chi Ho for the amounts owing by Mr. Zhou who was allegedly to be in breach of, among others, an equity swap transaction confirmation dated 31 May 2018 and entered into between CS Asia Opportunities Master Fund and Mr. Zhou. Mr. Chau Lai Him and/or Mr. Chau Chi Ho have already engaged legal advisers to handle and defend the proceedings.

The Company will closely monitor the status of the proceedings and evaluate its impact on the Company, and will provide shareholders and potential investors with the latest information on the development of the proceedings as and when appropriate.

DIRECTORS' REPORT

SHARE OPTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company conditionally adopted the share option scheme (the “**Share Option Scheme**”). The details of the Share Option Scheme are set out in a circular to the shareholders of the Company dated 24 October 2012. A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme	The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible persons thereunder for their contributions and continuing efforts to promote the interests of the Group and to enable the Group to recruit and retain high calibre employees.
Participants	The participants of the Share Option Scheme (“ Participants ”) include (a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work fulltime or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the foregoing persons.
Total number of securities available for issue under the Share Option Scheme	237,453,234 Shares (The maximum number of Shares subject to the Existing Scheme Mandate Limit under the Share Option Scheme is 237,453,234, which was approved by an ordinary resolution of the Shareholders at the annual general meeting of the Company held on 6 December 2019), representing 10% of the issued shares as at the date of this report.
Maximum entitlement of each Participant	No Option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company’s issued share capital from time to time.
Period within which the securities must be taken up under an Option	10 years commencing from the date on which the offer in relation to such Option is accepted or otherwise determined and notified by the Board to the Grantee.
The minimum period, if any, for which an option must be held before it can be exercised	The Board has discretion to set a minimum period for which a Share Option has to be held before the exercise of the subscription rights attaching thereto.

The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK\$1.00 is to be paid by each Grantee as consideration for the grant of Share Option within 28 days from the date of offer.
Basis of determining the exercise price	<p>The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine but the subscription price shall be at least the highest of:</p> <ul style="list-style-type: none">(a) the closing price of a share as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of grant, which must be a business day;(b) the average closing price of a share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and(c) the nominal value of a share.
Remaining life of the Share Option Scheme	The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional.

On 20 March 2019, the Company resolved to grant share options to subscribe for a total of 162,260,000 Shares to 7 directors of the Company and certain eligible persons, subject to acceptances of the grantees, under the Share Option Scheme. The details of the options granted on 20 March 2019 were set out in the announcement of the Company dated 20 March 2019 and the Company’s 2019 Annual Report.

On 25 July 2019 (“**Date of Grant**”), the Company resolved to grant share options to subscribe for a total of 53,800,000 Shares to certain eligible persons (the “**Grantees**”), subject to acceptance of the Grantees, under the Share Option Scheme. None of the Grantees is a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or is an associate (as defined in the Listing Rules) of any of them. The details of the options granted on 25 July 2019 were set out in the announcement of the Company dated 25 July 2019 and the Company’s 2020 Annual Report.

DIRECTORS' REPORT

Details of the share options granted, exercised, cancelled and lapsed during the year under review under the Share Option Scheme are set out below:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK\$	Number of Share Options					Outstanding at 30.6.2021
				Outstanding at 1.7.2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
(A) Share Options Granted on 20 March 2019			Note (1)						
Directors									
Chau Lai Him	20 March 2019	1 April 2019 to 30 June 2021	0.108	23,740,000	-	-	-	(23,740,000)	-
Chau Chi Ho	20 March 2019	1 April 2019 to 30 June 2021	0.108	14,240,000	-	-	-	(14,240,000)	-
Liu Dong Yang	20 March 2019	1 April 2019 to 30 June 2021	0.108	23,740,000	-	-	-	(23,740,000)	-
Chung Kam Kwong	20 March 2019	1 April 2019 to 30 June 2021	0.108	1,000,000	-	-	-	(1,000,000)	-
Lo Wai Ming	20 March 2019	1 April 2019 to 30 June 2021	0.108	1,000,000	-	-	-	(1,000,000)	-
Lo Chao Ming	20 March 2019	1 April 2019 to 30 June 2021	0.108	1,000,000	-	-	-	(1,000,000)	-
Employees	20 March 2019	1 April 2019 to 30 June 2021	0.108	10,500,000	-	-	-	(10,500,000)	-
Consultants	20 March 2019	1 April 2019 to 30 June 2021	0.108	63,000,000	-	-	-	(63,000,000)	-
(B) Share Options Granted on 25 July 2019			Note (2)						
Employees	25 July 2019	2 October 2019 to 31 December 2021	0.100	53,800,000	-	-	-	-	53,800,000
				192,020,000	-	-	-	(138,220,000)	53,800,000

Notes:

- (1) (i) The closing price per share as stated in the Stock Exchange's daily quotation sheet on 20 March 2019 was HK\$0.104; (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding 20 March 2019 was HK\$0.108; and (iii) the closing price per share as stated in the Stock Exchange's daily quotation sheet on 19 March 2019 (the day immediately preceding the date of grant, i.e. 20 March 2019) was HK\$0.109. There was no vesting period.
- (2) (i) The closing price per share as stated in the Stock Exchange's daily quotation sheet on 25 July 2019 was HK\$0.061; (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding 25 July 2019 was HK\$0.062; and (iii) the closing price per share as stated in the Stock Exchange's daily quotation sheet on 24 July 2019 (the day immediately preceding the date of grant, i.e. 25 July 2019) was HK\$0.063. There was no vesting period.

DIRECTORS' REPORT

As at 30 June 2021, there were a total of 53,800,000 outstanding share options entitling the grantees thereof to subscribe for a total of 53,800,000 Shares, representing approximately 2.27% of the number of 2,374,532,340 Shares in issue (“Shares in issue”) of the Company.

As at 30 June 2021, under the refreshed scheme mandate limit which was approved by way of an ordinary resolution of the shareholders at the annual general meeting of the Company held on 6 December 2019, the Company could grant share options for up to 237,453,234 Shares, representing 10% of the Shares in issue pursuant to the Share Option Scheme.

During the year under review, a total of 138,220,000 share options were lapsed and no share options were exercised or cancelled.

The Company has not adopted any new share option scheme during the year ended 30 June 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, the interest of the Directors and their associates in the Shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) are, as follows:

Name of Director	Capacity	Number of Shares held in long position	Percentage of the issued share capital of the Company
Chau Chi Ho	Beneficial owner	39,380,000	1.66%
Lo Wai Ming	Beneficial owner	400,000	0.02%
Lo Chao Ming	Beneficial owner	300,000	0.01%

Other than as disclosed above, as at 30 June 2021, none of the Directors nor the Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and Chief Executive of the Company, as at 30 June 2021, there were no persons (other than the Directors or the Chief Executive of the Company) who had a notifiable interest or short position in the shares or underlying shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" of this directors' report, at no time during the year ended 30 June 2021 were rights to acquire benefits by means of acquisition of shares or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 30 June 2021, none of our Directors had any interest in a business which competes, either directly or indirectly, with the business of the Company or the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries or associates was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2021 or at any time during the year.

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 ended 30 June 2021.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive Directors have confirmed that they are independent.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2021, the five largest customers of the Group together accounted for approximately 38.6% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 52.1% of the Group's total purchases, with the largest customer accounted for approximately 12.6% of the Group's total turnover and the largest supplier accounted for approximately 27.3% of the Group's total purchases during the year.

At no time during the year ended 30 June 2021 did any of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or five largest suppliers.

PERMITTED INDEMNITY

Pursuant to the Bye-laws of the Company and subject to relevant provisions therein, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur in or sustain by the execution of his duty as a director of the Company or otherwise in relation thereto. The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENT POLICY

As at 30 June 2021, the Group had approximately 500 employees in Hong Kong, PRC and overseas (30 June 2020: 500). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results and individual performance.

The Company has adopted the Share Option Scheme to provide incentive to eligible persons, including Directors of the Company and eligible employees of the Group, for their contribution and continuing efforts to the Group.

In compliance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employees of the Group in Hong Kong are required to participate in the Mandatory Provident Fund Scheme of the Group (the "MPF Scheme"). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, each of the Group and each of its the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions under the above-mentioned defined contribution retirement plan are expenses as incurred. Moreover, all the employees of the Group's entities incorporated in the PRC participate in employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the local governments.

During the years ended 30 June 2021 and 30 June 2020, the Group had no forfeited contributions under the retirement benefits schemes utilised to reduce its existing level of contributions to the pension plans in future years.

Particulars of the Group's retirement benefits schemes are set out in Note 41 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this directors' report, the Directors are satisfied that the Company has maintained the minimum public float prescribed under the Listing Rules.

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting of the Company (the "2021 AGM") will be held on Friday, 3 December 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification as shareholders of the Company to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 30 November 2021 to Friday, 3 December 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify as shareholders of the Company to attend and vote at the 2021 AGM, investors are required to lodge all properly completed share transfer documents accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 29 November 2021.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurring after the Reporting Period of the Financial Statements.

AUDITOR

The consolidated financial statements of the Company for the Financial Year have been audited by Messrs. BDO Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the 2021 AGM to re-appoint Messrs. BDO Limited as the auditor of the Company.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE CODE PROVISIONS

Throughout the financial year ended 30 June 2021, the Company complied with the code provisions of the Code except for the deviations from Code provisions A.2.1, A.4.1, A.4.3 and E.1.2 which are explained below.

Code provision A.2.1

Under Code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

During the year ended 30 June 2021, Mr. Chau Lai Him (“**Mr. Chau**”) acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for the effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective for the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

The Directors will continue to review the effectiveness of the Group’s corporate governance structure to assess whether changes, including the separation of the roles of the chairman and the chief executive officer, are necessary.

Code provision A.4.1

Under Code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The existing independent non-executive Directors were not appointed for a specific term as required under Code provision A.4.1 but are subject to retirement by rotation and re-election at the Company’s annual general meetings in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures are in place to ensure that the non-executive Directors are subject to appropriate mechanisms to avoid holding office indefinitely.

CORPORATE GOVERNANCE REPORT

Code provision A.4.3

Under Code provision A.4.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company.

Mr. Chung Kam Kwong has been an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung Kam Kwong retired from office by rotation at the 2019 annual general meeting of the Company held on 6 December 2019 (the “**2019 AGM**”) and offered himself for re-election at the 2019 AGM. Mr. Chung Kam Kwong has been serving as the chairman of the Audit Committee of the Company for more than 18 years and possesses professional qualification in accounting and financial management. Coupled with his in-depth understanding of the Company’s operations and business, Mr. Chung Kam Kwong has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Chung Kam Kwong would not affect his exercise of independent judgement and are satisfied that Mr. Chung Kam Kwong has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director and consider Mr. Chung Kam Kwong to be independent. A separate resolution will be proposed for his re-election at the 2021 AGM.

Mr. Lo Wai Ming has been an independent non-executive Director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the 2019 AGM and offered himself for re-election at the 2019 AGM. Mr. Wai Ming Lo has more than 35 years’ experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance and has an in-depth understanding of the Company’s operations and business. Mr. Lo Wai Ming has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Lo Wai Ming would not affect his exercise of independent judgement and are satisfied that Mr. Lo Wai Ming has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director and consider Mr. Lo Wai Ming to be independent. A separate resolution will be proposed for his re-election at the 2021 AGM.

Mr. Lo Chao Ming has been an independent non-executive Director of the Company for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming retired from office by rotation at the 2020 annual general meeting of the Company held on 4 December 2020 (the “**2020 AGM**”) and offered himself for re-election at the 2020 AGM. Mr. Lo Chao Ming has extensive knowledge and experience in the cable and wire industry, and an in-depth understanding of the Company’s operations and business. An ordinary resolution was passed at the 2020 AGM to approve the re-appointment of Mr. Lo Chao Ming as an independent non-executive Director of the Company.

Code provision E.1.2

Under Code provision E.1.2, the chairman of the board should attend the annual general meeting.

During the year ended 30 June 2021, Mr. Chau Lai Him, the Chairman and the Managing Director of the Company, could not attend the 2020 AGM as in the period from January 2020 to March 2021, he stayed in PRC for the Group’s business operations and could not return to Hong Kong due to the COVID-19 pandemic. Mr. Chau Chi Ho, the deputy Chairman of the Company, took the chair of the 2020 AGM.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the year ended 30 June 2021, complied with the required standards set out therein.

BOARD OF DIRECTORS

The Board is entrusted with the overall responsibility of managing the Company's business and affairs and the ultimate responsibility for the day-to-day management of the Company, which is delegated to the Chairman/Managing Director and the management.

The Board currently comprises a total of six Directors, with three executive Directors, Messrs. Chau Lai Him (Chairman and Managing Director), Chau Chi Ho (Deputy Chairman) and Liu Dong Yang and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. Mr. Chau Chi Ho is the son of Mr. Chau Lai Him, the Chairman and Managing Director of the Company. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship among members of the Board. More details of the Directors are disclosed on page 7 of this annual report. The Board has published and maintained on its website and on the Stock Exchange's website an updated list of the Directors identifying their role and function. The Board met regularly throughout the year ended 30 June 2021. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the company secretary of the Company (the "**Company Secretary**") to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his duties, take independent professional advice where necessary at the expense of the Company.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder of the Company or Director, the approval of the interim and final results, adequate resources for the finance department to perform its role in financial reporting, other disclosures to the public or regulators and the internal control systems are reserved by the Board and the decisions relating to such matters shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Managing Director.

The roles of the Chairman and the Managing Director are not separate and the explanation in connection with such deviation from Code provision A.2.1 is set out in the section headed "Compliance with the Code Provisions" of this report. The Chairman is responsible for providing leadership to the Board, effective running of the Board, ensuring all appropriate issues are discussed by the Board in a timely manner and formulating business strategies. The Chairman has ensured that all Directors are properly briefed on issues arising at Board meetings and all Directors receive adequate, complete and reliable information.

The independent non-executive Directors were not appointed for a specific term and explanation in connection with such deviation from Code provision A.4.3 is set out in the section headed "Compliance with the Code Provisions" of this report.

CORPORATE GOVERNANCE REPORT

During the year ended 30 June 2021, the Board at all times complied with Rules 3.10(1), (2) 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; one of the independent non-executive Directors is required to possess appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Each of Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming served as an independent non-executive Director for more than nine years and explanation in connection with such deviation from Code provision A.4.3 is set out in the section headed “Compliance with the Code Provisions” of this report.

DIRECTORS’ AND OFFICERS’ LIABILITIES INSURANCE

Appropriate insurance cover for Directors’ and officers’ liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group has been arranged by the Group.

BOARD OPERATION

During the year ended 30 June 2021, the Board held 7 Board meetings. The attendance records of each member of the Board at Board meetings and the attendance records of the respective members of the Board at the audit committee meetings, nomination committee meetings, remuneration committee meetings and the 2020 AGM are set out below:

	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	Board meetings	2020 AGM
Executive Directors					
Chau Lai Him	–	1	–	7	–
Chau Chi Ho	–	–	–	7	1
Liu Dong Yang	–	–	–	7	–
Independent non-executive Directors					
Chung Kam Kwong	4	1	1	7	1
Lo Wai Ming	4	1	1	7	1
Lo Chao Ming	4	1	1	7	–

During the year ended 30 June 2021, the Company did not hold any special general meeting.

In place of physical meetings, the Board and Board committees also circulate written resolutions for approval by the relevant members of the Board and Board committees except for matters where a substantial shareholder or a Director has a conflict of interest which the Board has determined to be material in compliance with Code Provision A.1.7.

The Board having considered the attendance records of the Directors is satisfied that each Director spends sufficient time performing his responsibilities.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

Under Code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

During the year ended 30 June 2021, all Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

	Attended Seminars or Briefing/Read Materials
Executive Directors	
Chau Lai Him	√
Chau Chi Ho	√
Liu Dong Yang	√
Independent non-executive Directors	
Chung Kam Kwong	√
Lo Wai Ming	√
Lo Chao Ming	√

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") currently comprises three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming and the chairman of the Remuneration Committee is Mr. Chung Kam Kwong. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and the making of recommendations to the Board in connection with the remuneration of the non-executive Directors. The Remuneration Committee should consider factors such as the salaries paid by comparable companies, employment conditions elsewhere in the Group and the desirability of performance-based remuneration. A copy of the terms of reference of the Remuneration Committee is available from the Company's website and the Stock Exchange's website. The Remuneration Committee shall meet at least once a year.

During the year ended 30 June 2021, the Remuneration Committee held one meeting and all committee members were present at the meeting. The Remuneration Committee has reviewed the remuneration packages of all executive Directors and senior management, assessed performance of executive Directors and senior management and made recommendations to the Board in connection with the remuneration of the non-executive Directors. Details of the emoluments of the Directors are set out in Note 9 to the Financial Statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The nomination committee of the Company (the “**Nomination Committee**”) currently comprises one executive Director, Mr. Chau Lai Him, and three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming. The chairman of the Nomination Committee is Mr. Chau Lai Him. The role and function of the Nomination Committee is to review the structure, size and composition of the Board, make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, with due regard to the board diversity policy, identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman/Managing Director and monitor the implementation of the board diversity policy and review such policy, as appropriate, to ensure its effectiveness. The Nomination Committee has established a specific written committee charter which deals clearly with its authority and duties. A copy of the terms of reference of the Nomination Committee is available from the Company’s website and the Stock Exchange’s website. The Nomination Committee shall meet at least once a year.

The Board has adopted the director nomination policy in compliance with the mandatory disclosure requirement L(d)(ii) of the Code (as contained in Appendix 14 of the Listing Rules and came into effect on 1 January 2019) pursuant to which the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report.

The nomination process is summarised, as follows:

(a) Appointment of new Director

- (i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

CORPORATE GOVERNANCE REPORT

(b) Re-election of Director at general meeting

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

During the year ended 30 June 2021, the Nomination Committee held one meeting and all committee members were present at the meeting. The Nomination Committee has determined the policy for the nomination of Directors, the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and senior management.

Pursuant to the Bye-laws of the Company, any Director appointed to fill a casual vacancy of the Board shall hold office only until the next following general meeting of the Company and any Director appointed as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Bye-laws. The Bye-laws also allow for removal of a Director by an ordinary resolution.

The Board recommended the re-appointment of the Directors standing for re-election at the 2021 AGM. The Company's circular to be despatched to the Shareholders will contain detailed information of the Directors standing for re-election.

BOARD DIVERSITY POLICY

The Board has adopted the new board diversity policy (the "**Board Diversity Policy**") in compliance with the Code Provision A.5.6 and the mandatory disclosure requirements L(d)(ii) of the Code as contained in Appendix 14 of the Listing Rules, which came into effect on 1 January 2019.

The Board Diversity Policy aims to set out the approach to achieve diversity on the Board and does not apply to diversity in relation to the employees of the Company, nor the board and the employees of any subsidiary of the Company. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including but without limitation, differences in the talents, skills, regional and industry experience, background, gender, age and other qualities of the members of the Board, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 30 June 2021, the remunerations paid and payable to the auditor of the Group, BDO Limited, for the provision of the Group's audit services and non-audit related services were HK\$1,900,000 and HK\$250,000 respectively (2020: HK\$1,900,000 and HK\$250,000 respectively).

AUDIT COMMITTEE

At least one of the members of the audit committee of the Company (the "Audit Committee") has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within two years immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company. The Board expects the members of the Audit Committee to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the Audit Committee in order to comply with the requirement of the Code.

The Audit Committee of the Company currently comprises three independent non-executive Directors, Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming, and the chairman of the Audit Committee is Mr. Chung Kam Kwong. The primary duties of the Audit Committee include the reviewing of the Group's financial reporting system and financial reporting integrity, the nature and scope of audit review as well as the effectiveness of the system of internal control and risk management. The Audit Committee is also responsible for making recommendations in relation to the appointment, re-appointment and removal of the external auditor, and the reviewing and monitoring of the independence and objectivity of the external auditor. In addition, the Audit Committee discusses matters raised by the external auditor and regulatory bodies to ensure that appropriate recommendations are implemented. A copy of the terms of reference of the Audit Committee is available from the Company's website and the Stock Exchange's website. The Audit Committee shall meet at least twice a year.

During the year ended 30 June 2021, the Audit Committee held 4 meetings and all committee members were present at the meetings. The Audit Committee has reviewed with the management and the external auditor, the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including the review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 30 June 2021 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 30 June 2021.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Board has adopted the dividend policy (the “**Dividend Policy**”) in compliance with the Code Provision E.1.5 in the Code as contained in Appendix 14 of the Listing Rules, which came into effect on 1 January 2019.

The Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value and does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Bye-Laws of the Company and all applicable laws and regulations and the following factors concerning the Group when considering the declaration and payment of dividends:

- (a) financial results;
- (b) cash flow situation;
- (c) business conditions and strategies;
- (d) future operations and earnings;
- (e) capital requirements and expenditure plans;
- (f) interests of shareholders;
- (g) any restrictions on payment of dividends; and
- (h) any other factors that the Board may consider relevant.

Furthermore, depending on the financial conditions of the Company and the Group and the conditions and factors set out above, dividends (including interim dividend, final dividend, special dividend and any distribution of net profits that the board may deem appropriate) may be proposed and/or declared by the Board for a financial year or period. Any final dividend for a financial year will be subject to shareholders’ approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

The Dividend Policy stated above will be subject to review by the Board from time to time.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include the followings:

- (a) to develop, review and implement the Company's policy and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (e) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (f) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 30 June 2021, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

SHARE INTERESTS OF SENIOR MANAGEMENT

On 20 March 2019, the Company resolved to grant the share options to subscribe for a total of 162,260,000 shares to the 7 directors of the Company and certain eligible persons under the Share Option Scheme. Among the 162,260,000 options granted, 10,800,000 options were granted to certain members of the senior management of the Company. During the year ended 30 June 2021, a total of 10,500,000 options (2020: 300,000 options) were lapsed and no options were exercised and cancelled (2020: Nil).

On 25 July 2019, the Company resolved to grant the share options to subscribe for a total of 53,800,000 shares to certain eligible persons under the Share Option Scheme. Among the 53,800,000 options granted, 43,000,000 options were granted to certain members of the senior management of the Company. During the year ended 30 June 2021, no options were lapsed, exercised and cancelled (2020: Nil).

Save for the Options granted, as at 30 June 2021, none of senior management of the Company (whose biographical details are disclosed on page 8 of this annual report) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company maintains a website at www.1166hk.com where information and updates on the Company's business developments and operations, list of directors and their role and function, constitutional documents, terms of reference of the Board and its committees, procedures for nomination of directors for election, Shareholders' rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the year ended 30 June 2021.

COMPANY SECRETARY

The Company Secretary, Ms. Chan Kam Yee, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. She is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Managing Director, plays an essential role in the relationship between the Company and its Shareholders, assists the Board in discharging its obligations to Shareholders pursuant to the Listing Rules and has great role to play in ensuring that the eco-system relating to financial reporting works.

During the year ended 30 June 2021, Ms. Chan has attended relevant professional seminars to update her skills and knowledge and has complied with the Listing Rules to take no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. These include interim and annual reports, announcements and circulars.

The general meetings of the Company are the primary forum for communication between the Shareholders and the Board. The Group encourages its Shareholders to attend and participate in general meetings to ensure a high level of accountability and to keep Shareholders informed of the Group's strategy and goals. The Chairman of the Board, other Board members and the chairman of all the Board committees, or in their absence, other members of the respective committees, are available to answer any questions from the Shareholders.

PROCEDURES BY WHICH SHAREHOLDERS MAY CONVENE A SPECIAL GENERAL MEETING

Pursuant to 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 months after the deposit of such requisition. If within 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.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS AND DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their written requests, proposals, enquiries and concerns to the Company for the attention of Chairman of the Board or the Company Secretary whose contact details are:

Solartech International Holdings Limited
Unit 15, 18/F, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong
E-mail: enquiry@solartech1166.com
Tel no.: (852) 2796 1628
Fax no.: (852) 2799 9835

A copy of the Shareholders' communication policy of the Company is available from the Company's website.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board ensures the maintenance of sound and effective risk management and internal controls to safeguard the Shareholders' investment and the assets of the Company. It has been an important duty of the Directors to conduct a review of the effectiveness of the risk management and internal control systems of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, and risk management functions, and takes into account the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and the extent of risks for achieving the Group's strategic objectives and has the overall responsibilities for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Company also has an internal audit function to assist the Audit Committee and the senior management to carry out analysis and independent appraisal of the adequacy and effectiveness of the systems periodically. It should be acknowledged that the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material loss or misstatement.

CORPORATE GOVERNANCE REPORT

During the year ended 30 June 2021, the Company engaged an external independent consultant to conduct a review on the effectiveness of the risk management and internal control systems over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and effectiveness of financial reporting and compliance with the Listing Rules. The Board considered that the resources, qualifications and experience of the staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate. The Board has reached the conclusion that the Group's risk management and internal control systems were adequate and effective.

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Company has prepared its Environmental, Social and Governance Report ("**ESG Report**") for the year ended 30 June 2021 in accordance with the ESG Guide as set out in Appendix 27 to the Listing Rules.

The ESG Report of the Company for the year ended 30 June 2021 is set out on pages 34 to 52 of this annual report.

GENERAL

The Directors acknowledge their responsibility in preparing the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Company and in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 30 June 2021, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 53 and 58 of this annual report.

On behalf of the Board

Chau Lai Him
Chairman

29 September 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

(I) Purpose

In accordance with the requirements of The Stock Exchange of Hong Kong Limited (“**HKEx**”), listed companies are required to provide an Environmental, Social and Governance Report (“**ESG Report**”). This is our fifth ESG report in reviewing and disclosing the Group’s vision, policies, management controls, and our performances and challenges, regarding environmental and social issues, for both internal and external stakeholders.

(II) Scope of Report

In response to market changes, the Group has stream-lined its operation and focused on its core business, namely (i) manufacturing and trading of electric cable wire, (ii) trading of copper products, and (iii) property investment. Each business segment of the Group has a different impact on the environment and society. For the purpose of this report, the Group herein will review its core business activities and operations in term of their environmental and social objectives, policies and practices and their impacts and performances.

(III) Basis of Preparation

This is our fifth ESG Report and is compiled in accordance with the ESG reporting guide outlined in Appendix 27 – Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on HKEx (“**Appendix 27**” or “**ESG Reporting Guide**”). The content of this report includes two main subject areas as outlined and required by the ESG Reporting Guide, being area A – environmental and area B – social.

This report, which has been reviewed and approved by the board of the company (the “**Board**”), reviews and reports the core business operations of the Group and follows the principles of materiality, quantification, balance and consistency to disclose relevant statistics and information.

(IV) Reporting Period

This report is for the period from 1 July 2020 to 30 June 2021 (the “**Reporting Period**”).

(V) Corporate Goals and Visions

The Group’s vision continues to be leading manufacturer and high-quality provider of electric cables and wires, and copper rods and wires both in the PRC and worldwide. We are committed to providing these products with a reasonable return on investments to our shareholders, whilst being a socially and environmentally responsible company and providing a safe, healthy and pleasant working environment to our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(VI) ESG Management

Our ESG strategies, management policy and approach are based on compliance with relevant legal and regulatory requirements, the principle of sustainability and maximisation of interests and benefits of investors and stakeholders. The Group's visions and goals, and the ESG management policy and approach, same as the last four years ESG reporting, can be summarised in the following statements.

1. The Group is committed to be successful in all our businesses, bringing returns to our investors and supporters, providing a healthy and safe working environment to our employees and helping to provide sustainable developments of the local communities and the Group.
2. The Board from time to time approves and updates strategies and policies which addresses the related environmental and social issues contained in the ESG Reporting Guide. The Board has assigned each subsidiary to implement ESG policies in accordance with the respective operations and activities. Through their normal and routine channels, all subsidiaries report directly to the Group's Managing Director, who has the overall responsibility to ensure that the Board's approved strategies and policies are implemented. The subsidiaries are responsible for exploring and developing Key Performance Indicators ("KPIs") where appropriate and necessary in accordance with the Group's policies and goals.
3. It is the duty of the Group's Managing Director and the management team to examine and address all the environmental and social issues detailed in the aspects and areas in the ESG Reporting Guide.

Overall, the Group takes an active role in ensuring sustainable, environmentally friendly and socially harmonizing productions and operations by employing various measures which are compliant with relevant laws, operating practices and standards. The Group continues to uphold our established environmental friendly and socially sustainable and equitable management system. The adoption and application of the Quality Management System (ISO 9001:2000) which the Group has certified since 2003 has proven to be effective in ESG management.

(VII) Stakeholders Communications and Materiality

In managing the priorities, the Group continues to ensure its corporate, cable and wires and copper products manufacturing and trading operation are in compliance with their environmental and social responsibilities, and obligations as required by the ESG Guide and the laws and related regulations of the Hong Kong Special Administrative Region ("HKSAR") and the PRC. The Group also continues to take into account of the opinions and views of its stakeholders including shareholders, investors, employees, customers, suppliers, service providers, professional advisors, non-governmental organisation ("NGO") partners and industry associations, and strives to address their concerns. It is the duty of the Managing Director and related frontline managers to constantly communicate with its stakeholders under the following established channels in order to gain insights on ESG material areas and aspects during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders

Shareholders/Investors

- General meetings
- Information published on websites of the Group and the HKEx
- Direct emails or phone enquiries
- Dispatched documents

Employees

- Direct meetings with the management executives
- Emails
- Annual and regular appraisal
- Organised functions and activities for the employees

Customers

- Day-to-day communication through frontline staff
- Emails
- Official websites

Suppliers/service providers/
professional advisors

- Day-to-day communication through frontline staff
- Regular review of the signed arrangements by the management

NGO partners

- Volunteer activities
- Sponsors and donations

Industry associations

- Participation in annual and regular meetings and events

Through regular communications with stakeholders and review of the information collected, the Group has identified the following ESG material areas and aspects, and has managed them strictly in accordance with the Group's established management structure, process, policies and guidelines and in compliance with the relevant legal and regulatory standards:

- Environmental Protection;
- Climatic Change;
- Employment Fairness;
- Working Condition and Safety;
- Raw Materials Supply and Procurement;
- Quality of Products and Services Especially on Manufactured Wire Cables;
- Ethical Management and Anti-corruption; and
- Community Support.

The ESG issues, performances, and the related KPIs during the Reporting Period, especially on the above material areas and aspects, continue to be monitored and managed through the Group's approved management structure and process. With an allocation of adequate resources to implement the approved strategies, policies and measures, the Group has honoured its environmental and social obligations and responsibilities especially on the above material areas and aspects during the Reporting Period, which are summarised below.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIAL AREAS AND ASPECTS AND THEIR PERFORMANCES

(A) ENVIRONMENTAL AREAS AND ASPECTS

1.1 Environmental Areas Overview and Policies

The Group's main environmental target has always been aiming at environmental protection with sustainable development in relation to its ongoing business activities and operations. The Group has continued to implement policies and taken measures to ensure our activities and operations to be energy, water and resources saving and to prevent pollution, reduce wastes and minimise the negative impacts on and harmonise with the environment. During the process of formulating the environmental policies and measures, all activities and operations likely to cause environmental impact or impact on general sustainability such as the use of energy, water, raw materials and other natural resources, air emissions, water discharge and waste disposal have been considered. The Group has also actively assumed social responsibilities to reduce pollution through installation of the latest production equipment. The Group has complied with all the national and local environmental laws, rules and regulations, and been issued with the Pollutant Discharge License of Guangdong Province (License No. 4419602016000053) since November 2017. All of our employees have been made aware of their responsibilities and respective roles in conserving natural resources and protecting the environment.

During the Reporting Period, same as the previous ESG reporting, the Group was not subject to any confirmed cases for breaching environmental legislations or receiving complaints from any government environmental agencies and local communities in relation to emission and waste discharges or other environmental issues that could have an adverse impact on the local environment.

1.2 Environmental Aspects

A1: Air Emissions, Polluted Water and Waste Discharge Aspect

During the Reporting Period, same as the previous reporting period, the types of emissions, wastes and discharges from the Group's activities and operations were mainly air pollutants, indirect greenhouse gas ("GHG"), mainly carbon dioxide ("CO₂") emissions from electricity consumption, polluted water discharge from factories and office employees' daily hygiene consumption, and non-hazardous packaging wastes.

During the year, the Group's core business – cable wire manufacturing and trading of copper and related products has had its operations returned normal with the use of resources such as electricity, water and packaging materials increasing significantly due to the resumption of operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(i) Indirect Greenhouse Gas Emissions

Same as the previous reporting period, indirect emission of namely GHG-CO₂ through the use of electricity for powering plastic extruding and injection machines for manufacturing of electric cable wire and the office remains to be the main source of gas emissions for the Reporting Period.

For the Reporting Period, the Group's total indirect GHG-CO₂ emission generated as a result of electricity consumption amounted to 8,281 tonnes (For the year ending 30 June 2020 ("2020"): 3,774 tonnes), which was 119% higher than the previous reporting period. The increase in indirect GHG-CO₂ emission was mainly due to the Group's resumption of operations. The Group targets a zero growth and tries to reduce on our GHG-CO₂ emissions through more stringent control of electricity consumption.

(ii) Direct Hazardous Air Emissions (as a result of gas and fuel consumption)

For our copper rod and wire manufacturing business, the recycling of copper scrap will directly produce GHG-CO₂ emissions, as well as hazardous gases such as nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and particular matters ("PM"), and CO₂ through the use of fuel and gas. These direct hazardous gases will be captured and treated in a capsulated collecting system before being discharged through an exhaust stack of 20m in height. During the Reporting Period, the Group did not receive any complaints or warning notice from relevant environmental agencies or local community on our direct hazardous emissions.

(iii) Waste Water Discharge

Same as our previous ESG reporting period, cooling water used in our manufacturing processes is the main source of the Group's waste water discharge. By adopting a close circulating system, most of the cooling water will be reused with minimal wastage or discharge. Waste water is also generated from dormitories, canteens and offices for hygiene uses of employees, whom are constantly reminded to avoid unnecessary wastage.

(iv) Hazardous and Non-Hazardous Wastes

The Group continued with its natural and pollution-free philosophy in its business where possible and has adopted the 3-R principle – to reduce, reuse and recycle. All employees are constantly reminded to adopt the 3-R principle in their handling and using of the resources.

Consideration is given to recycle and reuse in the various processes and stages of production. Procedures are in place for properly sorting out and storing the unused materials for resale or reuse. For example, copper is a major raw material input in our business and copper wire bits have a very strong resale value in the market so all copper cable wastes generated as a result of the manufacturing processes are stored up for resale.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, which is the same as the previous ESG reporting period, the amount of hazardous wastes generated from our manufacturing operations was insignificant and posed no material impact to the environment. Non-hazardous wastes are generated from both production operations and non-production operations. Non-hazardous wastes generated from the production processes are mainly packaging materials – wood and paper used in our manufacturing operations. An insignificant amount of non-hazardous materials is also generated from non-production areas such as supporting offices, dormitories and canteens. All such wastes are collected and disposed of by external waste collectors. In the coming year, our policies will continue, and we expect our non-hazardous wastes will continue to be insignificant and handled properly.

During the Reporting Period, same as the previous reporting period, the Group did not have any violation related to hazardous or non-hazardous wastes.

(v) Noise and Light Emissions

During the Reporting Period, same as the previous reporting period, the Group's operations and activities did not generate any noises and light emissions affecting the neighbour and the local community, and no complaints nor warning notices were received.

A2: Use of Resources

The Group continued with its objectives and policies to promote the conservation of resources and has implemented various energy, water and packaging materials saving measures in order to improve the performance of the conservation of resources and achieve operational optimisation while complying with the relevant national laws and regulations. The Group has implemented guidelines and instructions on the efficient use of resources for office administration, factory production and general living of our employees. Our employees have also been constantly reminded to use our resources efficiently to avoid unnecessary wastage.

(i) Energy – mainly electricity

Electricity is used mainly for operating the factory premises and the production equipment and employee dormitories in China and the administrative office in Hong Kong.

During the Reporting Period, the Group consumed 10,453,900 kWh of electricity (2020: 3,785,487 kWh), which was 6,668,413 kWh higher than the previous reporting period. The increase was due to the resumption of operations.

To save energy, and the Group has continued with its energy saving measures to supervise and to encourage employees to use resources efficiently and in an environmentally friendly manner such as:

- Lights and equipment must be turned off if not in use;
- Duty employees will inspect the factories and offices to ensure all unused equipment and systems will be turned off before factories and office closing;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Maintaining work environments at pre-determined and energy efficient temperatures; and
- Encouraging the use of natural ventilation instead of air-conditioning whenever the conditions allow.

The Group continues to invest in energy saving tools and equipment such as LED lights.

In the coming year, as explained before, the Group expects a downturn on its operations and activities and aims at a zero growth on its electricity consumption under a normal operational environment and continuing of its stringent control of electricity consumption.

(ii) Water

For water, the main consumption comes from the domestic dormitory use of the resident workers. The Group again requests the employees to use water smartly and responsibly. Inspectors have been assigned to ensure no unwarranted use and waste. In addition, as a means to monitor usage, special meters have been installed to record the water usage pattern. The Group is also exploring the possibility of installing solar panel systems for providing hot water for domestic use.

Local city municipal supply is the only viable water source available to the Group as far as our production processes and household uses are concerned.

During the Reporting Period, a total of 78,677 m³ (2020: 103,693 m³) of water was consumed, representing a small decrease of 25,016 m³ over the last reporting period. In the coming year, the Group will continue with its effort to save water consumption and targets to reduce general hygiene uses by 1–3% on the same number of employees.

(iii) Packaging Paper and Plastic Raw Materials

For packaging paper and plastic raw materials, the Group has continued the policy of giving priority to the use of recycled papers and plastic wraps. Any used packaging materials and scraps will be collected and sold as used and scrap materials to recycling and waste operators. While in our offices and factories, the Group has continued to encourage the office staff and factory workers to reduce paper consumption as much as possible through the use of electronic tools such as emails, messages and universal serial bus storage to replace paper files, sketches and letters; to print paper on both sides, and to use only recycled paper. During the Reporting Period, the Group did not find any abnormal or excessive consumption of printing paper and packaging materials, and the Group expects a proportionate reduction in their consumption in response to a possible downturn in the coming year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3: Environment and Natural Resources

Continuing the vision and policies of working towards a responsible corporation, the Group is committed to conserving resources in order to reduce its impact on the environment as well as saving operational costs. As reviewed above and reported in previous ESG reports, the Group's core operations and activities mainly use the natural resources of electricity, water, packaging papers and plastic raw materials, which will have impacts on the environment if they are not properly managed. The Group has complied with all the national and local environmental laws as well as industrial environmental standards, and has cooperated with the local government agencies and supports environmental organisations' activities to build a "green" environment. At the same time, the Group has exercised due diligence and care in setting up its management structure and process, rules and regulations to ensure that natural resources are correctly and efficiently used without wastage or destruction. On the implemented measures as laid down in our various operation rules, regulations and manuals, the focuses are to reduce, reuse and recycle those natural resources as far as possible. The Group has also implemented green purchasing practices and best practice technologies to conserve natural resources where applicable.

As a summary, during the Reporting Period, same as the last few reporting periods, the Group has taken a totally responsible approach to implement policies and measures on electricity, water, packaging paper, raw plastic materials consumption, GHG-CO₂ emissions, waste water and general waste discharges. The Group was not subjected to any warnings, fines or violation notices, and was in compliance with all applicable environmental protection laws and regulations in all material aspects since the first ESG reporting. The Group will continue to explore new avenues and means to accomplish our goals of conserving natural resources and protecting the environment.

A4: Climate Change

Climate change is mainly caused by the release of CO₂ into the atmosphere, which is directly and indirectly the result of the use of fossil fuels for electricity generation and fuels for transportation. As the world transitions to a lower-carbon sustainable economy, there are areas that our Group can contribute to this.

As listed in the "Stakeholders Communications and Materiality" and "Material Areas and Aspects" section above, the Group fully aware that stakeholders expect us to be managing and mitigating climate change risks. In light with the current global environmental conditions and the Group's operations and activities, the Board identifies that global warming and reduction on electricity, water and paper packaging material will be the most important and immediate areas that may impact the Group and the environment. These three areas will not only affect the operation costs of the Group, they will also contribute directly or indirectly on the global environmental conditions, and the Group should tackle them for the purposes of combating climate change and reduce the operation costs in the future.

(i) *Indirect GHG-CO₂ Emission*

As explained above, during the Reporting Period, the Group indirectly emitted GHG-CO₂ through electricity consumption for its operations and production. The Group has already implemented extensive policies and measures to reduce the use of electricity throughout the factories, employee dormitories and office. With a reduction in electricity consumption, less energy will be required, and less fossil or crude oil fuel will be used by the power plants, and less GHG-CO₂ will be generated accordingly. The Group will also continue to invest in more energy efficient processes and equipment in the near future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(ii) *Water*

As explained above, during the Reporting Period, the Group has already taken measures to supervise and encourage employees to use water more efficiently in order to reduce its consumption for the purpose of conserving water, which will possibly bring back a balance to the global atmospheric condition.

(iii) *Paper packaging Materials*

As explained above, during the Reporting Period, the Group has already implemented policies and measures to reduce papers and to use recycled papers as far as possible, which will directly reduce the cutting of trees. The Group at the same time has supported low-carbon activities and activities to re-grow the forest, which is the main tool to reduce carbon directly to curb global warming.

For the Reporting Period, the Group's business operations and activities did not lead to any events or issues that might impact the climate or result in the change of the climate significantly. The Group has already taken measures to lower indirect GHG-CO₂ emission, and to reduce water and paper and paper-related packaging materials usage with a wish to curb global warming. The Group will continue with such policies and measures for the coming year.

(B) SOCIAL AREAS AND ASPECTS

2.1 Social Areas Overview

As stated in the section "Corporate Goals and Visions", the Group is committed to conducting business in a socially responsible way and strives to build mutually beneficial relationships with our stakeholders, including our employees, customers, suppliers, communities, as well as the public and governing authorities. On the formulation of ESG strategies and policies, the Group has already taken into account of its short and long term corporate development goals, the benefits to the stakeholders and sustainable development of the society and the environment.

Pursuant to the ESG Reporting Guide, social areas and aspects including employment and labour practices, operation practices and community investment, and the Group's performance in these areas are reported below:

2.2 Employment and Labour Practices Areas and Aspects

The Group always treasures and regards its employees as one of the most valuable assets for its sustainable development and growth. It has therefore committed to strictly complying at all times with all the relevant laws, rules and regulations on employment, i.e. the Labour Laws of PRC and Employment Ordinance ("**Employment Ordinance**") of Hong Kong (Chapter 57 of the Laws of Hong Kong), and providing a safe and healthy working environment, offering equal opportunities to all employees on recruitment, promotion, compensation and benefits. It has strengthened its human resources management with employee-oriented policies to promote motivation and innovation, and to protect the interests and legal rights of the employees, and ultimately to achieve a positive, constructive and harmonious relationship with its employees.

The Human Resources Department has been delegated with the responsibilities to implement the employment and related policies, rules and regulations, which are summarised and laid out in its employee handbook and employment contracts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1: Employment

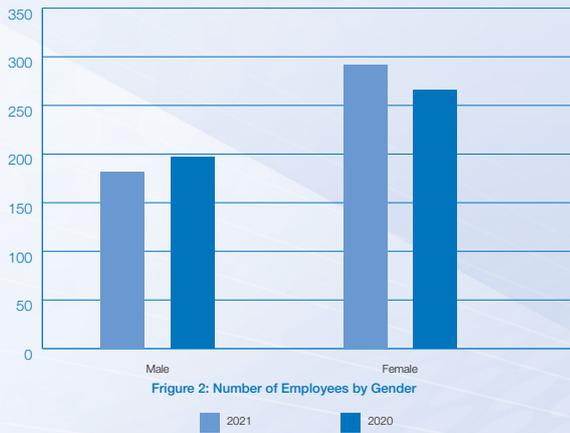
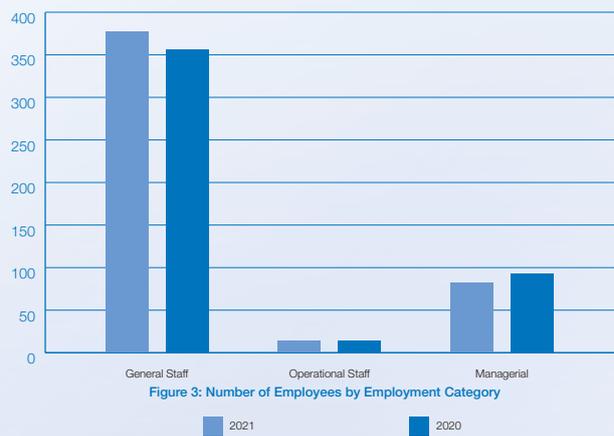
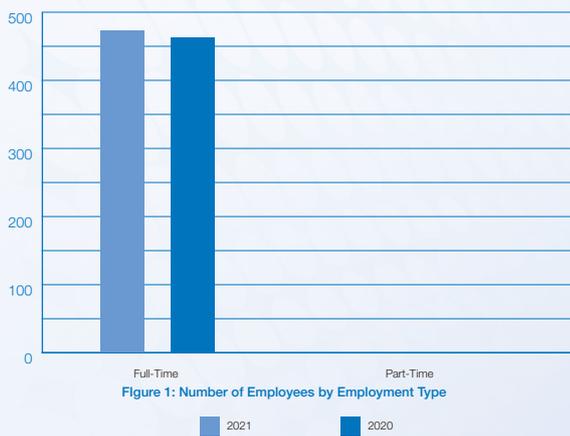
Since the Group's establishment, it has continued with its employee-oriented employment policies and practices throughout, which include the following main features:

- Owing to the existence of operation bases and activities in different regions, the Group has set up the human resources department headquarter in HKSAR, whose responsibilities are reviewing and approving the Group's human resources policies, and employment terms and conditions, while the regional offices' human resources managers implement the approved policies and measures in compliance with the local employment laws, rules, regulations and practices;
- The regional human resources managers report to the regional GMs and have been assigned with the responsibility to implement the Group's human resources strategies and policies, and to ensure all the statutory obligations of the Group have been fulfilled and are complied with;
- Adopt a humanistic and equitable human resources policies with equal opportunities for all without discrimination on hiring, promotion, remuneration, benefits, training, dismissal and other aspects of employment;
- All employees are required to sign employment contracts with the Group and/or its subsidiaries, and will receive an employee handbook, containing all the employment terms and conditions, benefits and obligations including but not limited to, appointment, termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissals, health, general safety and welfare etc.;
- In accordance with the requirements of the national laws of PRC such as Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on Housing Provident Funds (住房公積金管理條), and the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance ("MPFSO") (Chapter 485 of the Laws of Hong Kong) of Hong Kong, the Group provides and maintains statutory benefits to all qualified employees, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays;
- On recruitment, the Group has adopted a mixed policy of external recruitment and internal promotion for vacancies. All vacancies are open to all with equal opportunities, no discrimination on sex, religion, gender, age and disability, and to be selected on a qualification, skill and competency basis;
- Employment of child labour and forced labour is strictly forbidden;
- Employees' remunerations are determined with reference to the prevailing market level in line with their competency, qualifications, experience and job position. Discretionary bonuses of such amounts and at such intervals for employees will be rewarded at the discretion of the top management with consideration on performance; and
- Provide a safe and pleasant working environment to our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, same as the previous reporting periods, the Group honored all its obligations to employees including the payment of salaries and wages, holidays and leaves, compensations, insurances and health benefits. There were no wage disputes or complaints, breaches of the labour laws or labour disputes recorded.

Pursuant to the ESG Guide, the Group's employment situation for the year ended at 30 June 2021 is analyzed and summarised in below:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As for the employee turnover rate, an analysis of the Group's employee turnover rate breakdown for the Reporting Period is summarized in below:

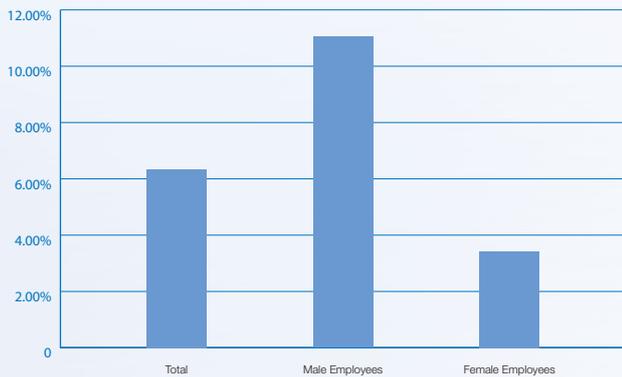


Figure 5: Employment turnover rate by gender

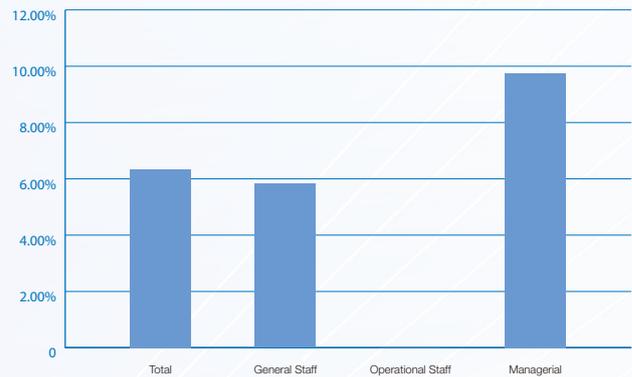


Figure 6: Employment turnover rate by employment role

From the above information, it can be summarised that the Group has a stable work force, a diverse gender amongst employees and a high number of experienced staff.

The low employee turnover rate justifies that our employment policies and measures are fair and reasonable, and no labor disputes were recorded both internally and externally during the Reporting Period.

During the Reporting Period, same as the previous reporting period, the Group did not have any incidents of non-compliance with relevant employment laws and regulations nor any labour disputes. The total work force numbers in the last reporting periods confirmed a stable force and a low employee turnover rate, which evidenced that the Group has fair and acceptable employment policies and measures.

B2: Health and Safety

Given the nature of the Group's business in the manufacturing of metal products, and being a responsible employer, the Group emphasises that the health and safety of employees are its primary concern. The Group has implemented and continued with its employee-oriented human resources policies, and at all times provides a safe and healthy working environment in its office, especially its factories to prevent employees from injuries and accidents, and to minimise the risk of any occupational hazards. The Group has taken the following health and safety measures to protect its employees:

- Ensures all the safety, medical and hygiene equipment are adequately in place and are operating efficiently, passing inspections and complying with all the safety and hygiene rules and regulations;
- Requires all employees to strictly comply with the health and safety policies, rules and regulations, including the Occupational Safety and Health Ordinance ("OSHO") (Chapter 509 of the Laws of Hong Kong) and Employees' Compensation Ordinance ("ECO") (Chapter 282 of the Laws of Hong Kong) of Hong Kong, and the Labour Laws of the PRC and has constantly reminded the employees to perform their tasks under safety conditions;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Takes occupational health and safety as one of our prime responsibilities, and constantly improves the occupational safety and health management system in order to reduce risks and create a safe working environment;
- In-house rules stipulate that whenever injuries or accidents occur, regardless of minor or serious incident, the employees must notify the superiors immediately who will then take appropriate measures to ensure safety is not compromised, and in all circumstances ensure that incidents are promptly and properly dealt with and reported in accordance with the local or national laws as appropriate;
- The Group has assigned safety officers to regularly inspect and to educate employees on taking precautionary measures to ensure that the workplace is safe. Regular health and safety trainings have been provided to employees to assist them to perform their jobs safely; and
- Insures all qualified employees in both the PRC and Hong Kong with medical insurance in accordance with the statutory requirements of the two places.

The Group has equipped its factory operations with all the required safety equipment and facilities. There was no adverse comment by law enforcing authorities during their inspections and no prosecution case was reported during the Reporting Period, same as the last reporting period.

During the Reporting Period, same as the previous reporting periods, the Group has equipped its factory operations with all the required safety equipment and facilities and there was no adverse comment by the law enforcing authorities during their inspections and no prosecution case was reported. Regarding work injury and accident, there were 5 (2020: 3) light injury cases of bruising and no serious injuries, or incidents of non-compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards which could have significant impact on the production operations or businesses of the Group. The injuries had been well taken care of immediately after their occurrence, and no disputes or claims arose thereafter. The low injury and accident rates during the Reporting Period as well as the previous reporting periods reconfirms that the Group's health and safety policies and measures and its continuous attention to set up a safe environment was effective.

B3: Development and Training

As aforementioned, the Group values its employees as one of its most valuable assets, it has always supported means to enhance employees' value by regularly providing them with development and training programs in terms of skills and job knowledge, plant operation and production know-how at various levels, so that they are able to perform their required job duties in a competent and capable manner without risk to their health and safety or damage to plants and operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employees are encouraged to engage in self-development by taking external training programs and seminars which are sponsored by the Group in part or whole. Broadly speaking, the Group has continuously and regularly provided 2 types of training:

- (i) Induction and on-the-job training – Induction training is provided to new recruits to enhance their understanding of the Group’s history, organisation structure, work environment, regulations, responsibilities and duties, working skills, safety operation, and career development plan etc. Whereas on-the-job training is provided to permanent employees with an aim to improve their career development and skills for performing their required job duties in a more competent and capable manner and without risking their health and safety.
- (ii) External specific skills and knowledge training – it is provided normally to middle and senior management executives aiming at enhancing their technical, management and professional skills and ability.

Below is the breakdown of the percentage of employees trained during the 2021 Reporting Period by gender and employment role:

	Internal	External
Total employee trained		
2021	100.00%	–
2020	98.72%	–
% of employees trained by gender		
Male		
2021	38.27%	–
2020	42.42%	–
Female		
2021	61.73%	–
2020	57.58%	–
% of employees trained by operation role		
Managerial		
2021	17.34%	–
2020	53.85%	–
Operational		
2021	2.75%	–
2020	23.08%	–
General		
2021	79.91%	–
2020	23.08%	–

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Below is the breakdown of the hours of training undergone by the Group's employees during the 2021 Reporting Period by gender and employment role:

	Internal	External
Average hours trained per employee		
2021	2.00	–
2020	5.33	–
Hours trained by gender		
Male		
2021	2.00	–
2020	5.38	–
Female		
2021	2.00	–
2020	5.40	–
Hours trained by operational role		
Managerial		
2021	2.00	–
2020	3.76	–
Operational		
2021	2.00	–
2020	30.32	–
General		
2021	2.00	–
2020	6.26	–

B4: Labor Standards

During the Reporting Period, the Group continued with its cornerstone policy of strict compliance with the Labour Laws of the PRC and the Employment Ordinance, and adopted their respective standards as the minimum standards on employment and labour protection and welfare. The Group adhered to the laws of the PRC and Hong Kong as well as the local market practices on recruitment, dismissal, promotion, leave, holidays, benefits as well as equal employment opportunities to all sex, age, race and religion. The Group acted strongly against and banned all child, illegal and forced labour.

All job applicants are required to submit their credentials such as academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment. As a legal obligation and for better management, the Group has kept the private files of the employees on confidential basis and in safe custody for record, future reference and government inspection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The human resources department is charged with the responsibility of overseeing labor compliance. Heads of the factories are also responsible for ensuring that all labor protection and welfare obligations of their operations are complied with and any breaches of statutory compliance are brought to the attention of the Group's Managing Director in Hong Kong.

During the Reporting Period, same as the previous reporting periods, the Group honored all of its obligations towards employees and no disputes or litigations on labour matters were reported. There was also no child and forced labour case reported. The Group is confident to maintain this good track record for the coming year.

2.3 Operation Practices Areas and Aspects

B5. Supply Chain Management

Supply chain management in the ESG Guide mainly refers to the management of sourcing and procurement. The Group's main purchases for the office and the factories have not changed much over the years and include routine stationery supplies and utensils for the office, and raw materials such as copper sheet and wire, rubber, plastic, packaging materials, replacement spare parts etc., for factories.

During the Reporting Period, the Group continued to implement a detailed supply and purchase management system adopting different approval authorities at different hierarchy levels of the management team. The Purchase Manager, Finance Director and Managing Director form the execution and supervision purchase chain at different monetary levels. Each level is accountable to the one above on their monetary limits they are authorised to purchase. All capital expenditure purchases have to be authorised and approved by the Hong Kong headquarter. All purchase transactions must be submitted to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks.

To ensure a fair and equitable, quality assured, and cost-efficient supply chain, the Group has implemented clear procurement management rules and guidelines and procedures with respect to procurement including quality control, warehousing, payment and documentation approval process, and methods of payment. The Group selects suppliers based on a set of criteria, which includes (i) ability to meet specification and standards, (ii) products and services quality, (iii) pricing of the products and services, (iv) delivery reliability, and (v) track records of the suppliers' business relationships with us and others in the industry and their committed compliance to laws, rules and regulations. The Group maintains a list of approved suppliers and will invite 2 to 3 suppliers to tender for purchases for a reasonable order size in order to obtain the optimal offer and to eliminate any chance of malpractice.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, same as the previous reporting period, owing to the special nature of our raw materials – copper sheets and wires, rubber and plastic, the Group had to purchase from both local and overseas suppliers, whomever offered the best prices. The total number of suppliers was 230 with 209 or 90.9% and 21 or 9.1% local and overseas suppliers respectively. All general purchases are placed with reliable local suppliers as far as possible so as to reduce carbon footprint and to support the local economy. When items or services are purchased for special use, the purchasing officers must ensure that the supply of services or goods are fit for purpose and meets our specification before price becomes a consideration. Owing to effective management, the Group did not experience any interruption of supplies or failure to secure sufficient quantities of supplies on time that had any material adverse impact on our business. The Group expects that its purchase policies and pattern will likely to be continued in the coming year.

B6: Product Responsibilities

The ESG Guide stipulates that there are four major sub-aspects on product responsibilities: product quality and safety, customer services and complaints handling, intellectual property rights and privacy, which the Group's internal control process, employee rules and regulations and contracts already have clear guidelines and rules to deal with.

(i) Product quality and safety

The Group has continued with its quality guarantee policy and taken all reasonable steps to ensure that the goods produced are safe and harmless to its consumers, meeting all agreed or legally required standards for consumers health and safety, including health warnings, product safety and information labels. It is because the Group firmly believes that with a high quality and safety standard of its products, it can retain the customers and expand market shares. The Group has obtained The Quality Management System (ISO 9001:2000) since 2003 which ensures that its products pass through strict quality control processes and meet with approved quality standards. The Group has trained Quality Controllers to examine the quality and safety of its products from the first stage of raw material purchases, to regularly inspect goods during the production and sale processes and ensure that the processes are in total compliance with both internal and external quality and safety assurance codes. The Group has also committed to investing in plant and equipment for high end production technology, quality and safety to maintain its competitive edge. The Group has also fostered close relationships with its business peers to keep abreast of the latest product development and knowledge.

During the Reporting Period, the Group's cable wire sales recorded about 2% (2020: 1%) product returned for quality reason, which is low by industry standards. No warnings or below quality and safety comments from the Consumer Councils, marketing agencies or relevant government authorities on the quality and safety of its cable wire products was ever received. The Group has the confidence to continue the quality control processes to ensure its products will always be of the highest quality and safety standard in the coming years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(ii) Customer Services and Complaints Handling

The Group has clear policies and procedures to ensure that all customer complaints or concerns are addressed to the appropriate levels in a timely manner. In its sales contracts, there are clear clauses specifying its responsibilities under quality issues. The sales department is responsible for handling all sales complaint issues. Standing arrangements are also in place for an independent third party to adjudicate on any unresolved disputes between the sales department and the client. Consequential remedial actions will be taken promptly and in a responsible manner.

During the Reporting Period, same as the previous reporting periods, the established complaints handling routes and channels have functioned well and the Group did not experience serious sales complaints which led to disruption of its manufacturing processes.

(iii) Privacy

As reported in the previous reporting, the Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operating status and financial positions, commercial terms of contracts, general background information, etc. These types of information are extremely sensitive and important, and by law, have to be cautiously safeguarded and protected. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorised access, use and disclosure through a variety of security technologies and procedures. All employees are trained to handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law. The Group has incorporated the confidential clause into the staff handbook and employment contract, under which all employees are obligated to follow. Legal action will be taken against any violation.

During the Reporting Period, same as the previous reporting period, the Group did not receive any complaint on any breach of privacy or leakage of information. Given its existing internal control and technical control process, the Group is confident that confidential information will not be accessed and leaked out easily.

(iv) Intellectual Property Rights

Apart from the Group's company logo and name, which has been registered with the China State Administration for Industry and Commerce, the Group's business operation involves no intellectual property right issues. The Group however respects intellectual property rights and has practiced in its daily operation such as its installation of original software in its computers to avoid vulnerabilities and legal disputes arising from software copyright.

During the Reporting Period, and same as previous few years, the Group did not receive any reports or cases of any intellectual property rights infringement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7: Anti-Corruption

As disclosed in the above introduction section, the prevention of bribery, extortion, fraud, and money laundering is a material aspect to all the stakeholders. The Group is well aware of the importance of honesty, integrity and fairness in its business operations and has therefore in place an anti-corruption policy which involves comprehensive internal control system comprising corruption reporting and investigation procedures, and has adopted a zero-tolerance approach to those corruptive and fraud crimes since establishment. In daily operations, the directors, management and staff must comply with related government laws and regulations on prevention of bribery, extortion, fraud and money laundering. With the implementation of clear policies and well-structured processes on purchases, sales, operations and finances, and the adoption of a high code of conduct especially in our senior management, all employees have responsibility not only to understand but also to comply with the above regulations and any person, who violates the regulations, will be subject to disciplinary sanction. Employees at all levels have been constantly reminded of and advised in meetings and documents, such as the staff handbooks and Employment Contracts, on anti-corruption, conflict of interest and giving and taking of interests. Transactions in large monetary sums are processed through bank transactions which require authorised signatories of the appropriate levels depending on the amount involved. Checks and balances have been installed in the Group for money transaction activities and are considered effective and adequate.

Since the commencement of the ESG reporting and during the Reporting Period, there were no complaints of corruption against the Group or its staff, and the Group is confident to achieve a similar clean result in the future.

B8: Community Investment

The Group fully understands its social obligations and is willing to contribute back to the local community, society and the global environment whenever possible. Despite a significant downturn on its business owing to the tension between USA and China, the Group still maintained its workforce without any employee lay-off in its office and factories. The Group continued to provide 473 jobs, mostly to the low-skilled village and city workers, and trainings to enhance their skills. The Group supported the local communities by prioritising its purchases with the local suppliers and sponsoring the employees to participate in the volunteering and charity events. Finally, the Group has implemented measures with an objective to reduce hazardous and non-hazardous air emissions and polluted water and wastes discharges.

INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

To the Shareholders of Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Solartech International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 59 to 154, which comprise the consolidated statement of financial position as at 30 June 2021, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, 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 (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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 opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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, we do not provide a separate opinion on these matters.

Impairment assessment of intangible asset – mining right

Refer to Note 18 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

As at 30 June 2021, the carrying value of the Group's mining right included in intangible assets, before impairment assessment, amounted to HK\$427,354,000. In view of the significant increase in copper price from approximately US\$6,000 per ton at beginning of the year to approximately US\$9,000 per ton at the end of the year. Management considered that it is an indicator that there may be reversal of the Group's previously impaired mining right. In the contrary, as a result of the continuously lockdown policy imposed in Mongolia, the Group's mining plan is further delayed, which indicates that the Group's mining right may be further impaired.

Following a detailed impairment review of the Group's cash-generating unit related to the mining right (the "Mining CGU"), management has estimated that a reversal of impairment loss on mining right of HK\$130,206,000 for the year ended 30 June 2021.

This conclusion was based on a calculation of recoverable amount that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- (i) Evaluating and checking the composition of the Group's future cash flow forecast in the Mining CGU, and the process by which it was drawn up, including testing the underlying recoverable amount calculation and comparing it to the latest production plan and approved budget;
- (ii) Checking the key assumptions included in the calculations, comparing the current year actual results with last year's forecast;
- (iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the calculation; and
- (iv) Performing sensitivity analysis on the discounted cash flow forecasts and assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of Mining CGU.

Impairment assessment of interests in associates and interests in joint ventures

Refer to Note 21 and Note 22 in the consolidated financial statements.

Key Audit Matter

As at 30 June 2021, the carrying values of the Group's interests in associates and joint ventures, before impairment, amounted to HK\$11,600,000 and HK\$24,267,000 respectively. The Group is exposed to risk of impairment of its equity accounted associates and joint ventures.

Following the detailed impairment reviews of the Group's interests in the associates and joint ventures, the recoverable amounts exceeded the carrying amounts of the respective associates and joint ventures. Accordingly, management has concluded that no impairment in respect of the Group's interests in associates and joint ventures is necessary.

This conclusion was based on recoverable amount calculation that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the models.

INDEPENDENT AUDITOR'S REPORT

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- (i) Evaluating the reasonableness of management's assumptions and estimates used in determining the recoverable amounts of the associates and joint ventures. We have benchmarked these assumptions against external data and assessed them based on our knowledge of the Group and the industry;
- (ii) Checking the key assumptions included in the calculations, comparing the current year actual results with last year's forecasts; and
- (iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the calculations.

Impairment assessment of property, plant and equipment

Refer to Note 15 in the consolidated financial statements.

Key Audit Matter

As at 30 June 2021, the carrying value of the Group's property, plant and equipment, before impairment assessment, amounted to HK\$24,933,000. During the year ended 30 June 2021, the Group's cable and wires business sustained a loss for the year and as at 30 June 2021 the market capitalisation of the Group fell below its net asset value. Management considered that these were indicators of impairment of the Group's property, plant and equipment.

Following a detailed impairment review of the Group's cash-generating units ("CGUs"), the recoverable amounts of the CGUs exceeded their carrying amounts and therefore management considered that no impairment loss in respect of the Group's property, plant and equipment is necessary.

This conclusion was based on a value-in-use and/or fair-value-less-costs-of-disposal models, where appropriate, that required significant management judgment and estimates with respect to the methodology and assumptions adopted in the model.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- (i) Evaluating and checking the composition of the Group's future cash flow forecasts in segments business, and the process by which they were drawn up, including testing the recoverable amount calculations and comparing them to the latest approved budgets;
- (ii) Checking the key assumptions including by comparing the current year actual results with 2021 figures included in the prior year forecast, by reference to future plans and by performing independent market analysis; and
- (iii) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the valuation.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), Corporate Information, Directors and Senior Management, Directors' Report, Corporate Governance Report, Environmental, Social and Governance Report, which we obtained prior to the date of this auditor's report, and Chairman's Statement, Particulars of Properties and Financial Summary, which are expected to be made available to us shortly after that date.

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.

When we read the Chairman's Statement and Particulars of Properties if we conclude that there is a material misstatement therein, we are required to communicate the matter to audit committee of the Company (the "**Audit Committee**") and take appropriate action considering our legal rights and obligations.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

INDEPENDENT AUDITOR'S REPORT

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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.

INDEPENDENT AUDITOR'S REPORT

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

We also provide the Audit Committee 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 the directors, 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.

BDO Limited

Certified Public Accountants

Chan Tsz Hung

Practising Certificate Number: P06693

Hong Kong, 29 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	6 and 7	433,049	288,271
Cost of sales		(374,815)	(256,238)
Gross profit		58,234	32,033
Interest income		13,408	13,673
Other income and gains	12	1,781	1,819
General and administrative expenses		(69,550)	(93,312)
Selling and distribution expenses		(10,430)	(8,213)
Finance costs	10	(15,875)	(14,371)
Change in fair value of derivative financial instruments, net	27	(507)	(134)
Change in fair value of investment properties, net	16	85,911	371
Change in fair value and gain or loss on disposal of financial assets at fair value through profit or loss, net	26	3,274	(10,850)
(Expected credit loss)/reversal of expected credit loss recognised, net	24	(11,700)	11,678
Written off of a deposit		(1,415)	–
Impairment loss of property, plant and equipment	15	(131)	–
Reversal of impairment loss/(impairment loss) on intangible assets	18	130,206	(29,348)
Loss on disposal of subsidiaries, net	34	(4,656)	–
Revaluation deficit of right-of-use assets	17	–	(25,202)
Share of results of associates and impairment loss on interests in associates	21	(1,811)	(18,926)
Share of results of joint ventures	22	11,892	(4,048)
Profit/(loss) before taxation	8	188,631	(144,830)
Income tax (expense)/credit	11	(20,779)	1,111
Profit/(loss) for the year		167,852	(143,719)
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Surplus on transfer from right-of-use assets and property, plant and equipment to investment properties, net of deferred tax	15 and 17	–	57,421
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		20,491	(19,917)
Reclassification adjustment on exchange difference for foreign operations disposed of during the year	34	3,423	–
Share of other comprehensive income of associates	21	2,700	(187)
Share of other comprehensive income of joint ventures	22	(4)	20
Other comprehensive income for the year		26,610	37,337
Total comprehensive income for the year		194,462	(106,382)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 HK\$'000	2020 HK\$'000
Profit/(loss) attributable to:			
Owners of the Company		156,346	(142,259)
Non-controlling interests		11,506	(1,460)
		167,852	(143,719)
Total comprehensive income attributable to:			
Owners of the Company		182,947	(106,100)
Non-controlling interests		11,515	(282)
		194,462	(106,382)
Earnings/(loss) per share:			
– Basic and diluted (HK\$)	14	0.066	(0.060)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	15	24,933	28,373
Investment properties	16	650,996	515,356
Right-of-use assets	17	9,480	8,460
Intangible assets	18	557,560	427,349
Prepayments	19	1,632	3,680
Interests in associates	21	11,600	33,125
Interests in joint ventures	22	24,267	12,379
Other receivables	24	9,697	11,614
Total non-current assets		1,290,165	1,040,336
Current assets			
Inventories	23	46,593	23,354
Debtors, other loans and receivables, deposits and prepayments	24	282,161	241,778
Bills receivable	25	1,189	20
Financial assets at fair value through profit or loss	26	5,091	8,768
Pledged bank deposits	28	72,150	2,191
Bank balances held on behalf of brokerage clients	29	28	28
Bank balances and cash	29	66,925	63,634
Total current assets		474,137	339,773
Current liabilities			
Creditors, other advances and accrued charges	30	154,148	86,404
Borrowings	31	240,236	105,344
Derivative financial liabilities	27	580	–
Promissory notes	32	8,960	8,251
Lease liabilities	17	1,886	2,894
Provision for litigation	45	–	15,348
Taxation		–	47
Total current liabilities		405,810	218,288
Net current assets		68,327	121,485
Total assets less current liabilities		1,358,492	1,161,821

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Lease liabilities	17	1,316	–
Other payables and advances	30	49,993	14,569
Borrowings	31	20,443	69,294
Deferred tax liabilities	33	88,190	69,092
Total non-current liabilities		159,942	152,955
Total net assets		1,198,550	1,008,866
EQUITY			
Capital and reserves			
Share capital	35	23,745	23,745
Reserves		1,176,518	993,626
Equity attributable to owners of the Company		1,200,263	1,017,371
Non-controlling interests	39	(1,713)	(8,505)
Total equity		1,198,550	1,008,866

The consolidated financial statements on pages 59 to 154 were approved and authorised for issue by the Board of Directors on 29 September 2021 and are signed on its behalf by:

Chau Lai Him
DIRECTOR

Chau Chi Ho
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital HK\$'000 (Note 35)	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000 (Note 36)	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2019	23,745	1,828,432	612,360	3,601	4,878	66,475	8,414	(1,425,952)	1,121,953	(8,223)	1,113,730
Loss for the year	-	-	-	-	-	-	-	(142,259)	(142,259)	(1,460)	(143,719)
Surplus on transfer from right-of-use assets and property, plant and equipment to investment properties, net of deferred tax (Notes 15 and 17)	-	-	-	-	-	56,758	-	-	56,758	663	57,421
Exchange difference on translation of foreign operations	-	-	-	(20,432)	-	-	-	-	(20,432)	515	(19,917)
Share of other comprehensive income of associates	-	-	-	(187)	-	-	-	-	(187)	-	(187)
Share of other comprehensive income of joint ventures	-	-	-	20	-	-	-	-	20	-	20
Total comprehensive income for the year	-	-	-	(20,599)	-	56,758	-	(142,259)	(106,100)	(282)	(106,382)
Shared-based payment by granting share options (Note 36)	-	-	-	-	-	-	1,518	-	1,518	-	1,518
Lapse of share options	-	-	-	-	-	-	(1,198)	1,198	-	-	-
At 30 June 2020	23,745	1,828,432	612,360	(16,998)	4,878	123,233	8,734	(1,567,013)	1,017,371	(8,505)	1,008,866

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital HK\$'000 (Note 35)	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000 (Note 36)	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2020	23,745	1,828,432	612,360	(16,998)	4,878	123,233	8,734	(1,567,013)	1,017,371	(8,505)	1,008,866
Profit for the year	-	-	-	-	-	-	-	156,346	156,346	11,506	167,852
Exchange difference on translation of foreign operations	-	-	-	20,482	-	-	-	-	20,482	9	20,491
Reclassification adjustment on exchange difference for foreign operations disposed of during the year (Note 34)	-	-	-	3,423	-	-	-	-	3,423	-	3,423
Share of other comprehensive income of associates	-	-	-	2,700	-	-	-	-	2,700	-	2,700
Share of other comprehensive income of joint ventures	-	-	-	(4)	-	-	-	-	(4)	-	(4)
Total comprehensive income for the year	-	-	-	26,601	-	-	-	156,346	182,947	11,515	194,462
Disposal of subsidiaries	-	-	-	-	-	(14,980)	-	14,980	-	(4,778)	(4,778)
Change in non-controlling interest without change in control (Note 46)	-	-	-	-	-	-	-	(55)	(55)	55	-
Lapse of share options	-	-	-	-	-	-	(7,216)	7,216	-	-	-
At 30 June 2021	23,745	1,828,432	612,360	9,603	4,878	108,253	1,518	(1,388,526)	1,200,263	(1,713)	1,198,550

Notes:

The contributed surplus represented (i) the net balance after setting off accumulated losses of the Company from reduced share capital and cancelled share premium of the Company where applicable in accordance with the Company's capital reorganisations in September 2002 and November 2012; and (ii) the credit arising from the capital reduction in accordance with the Company's capital reorganisation in July 2009.

The exchange reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations and share of reserves of associate.

The statutory reserve fund of the Group represents reserve required by the relevant People's Republic of China (the "PRC") laws applicable to the Company's PRC subsidiaries and share of statutory reserve fund of joint ventures.

The property revaluation reserve represents the gains arising on the revaluation of properties (other than investment properties) on the date of transfer from property, plant and equipment and right-of-use assets to investment properties.

Share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, net of issuing expenses in accordance with the accounting policy set out in Note 3.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Profit/(loss) before taxation		188,631	(144,830)
Adjustments for:			
Interest income		(13,408)	(13,673)
Finance costs	10	15,875	14,371
Depreciation of property, plant and equipment	15	8,873	11,414
Revaluation deficit of right-of-use assets	17	–	25,202
Depreciation of right-of-use assets	17	2,530	4,235
Share-based payment expenses	36	–	1,518
Change in fair value of derivative financial instruments, net	27	507	134
Change in fair value of investment properties, net	16	(85,911)	(371)
Change in fair value and gain or loss on disposal of financial assets at fair value through profit or loss, net	26	(3,274)	10,850
Expected credit loss/(reversal of expected credit loss) recognised, net	24	11,700	(11,678)
Written off of a deposit		1,415	–
Impairment loss on property, plant and equipment	15	131	–
(Reversal of impairment loss)/impairment loss on intangible assets	18	(130,206)	29,348
Loss on disposal of subsidiaries, net	34	4,656	–
Reversal of write-down of inventories	23	(629)	(267)
(Gain)/loss on disposal of property, plant and equipment	8	(3)	1,958
Share of results of associates and impairment loss on interests in associates	21	1,811	18,926
Share of results of joint ventures	22	(11,892)	4,048
Effect of lease modifications	12	(89)	–
Loss on early redemption of promissory notes	8	–	531
Loss on disposal of investment properties		–	1,290
Provision for litigation	45	–	15,514
Operating loss before working capital changes		(9,283)	(31,480)
Increase in inventories		(22,610)	(439)
Increase in debtors, other loans and receivables, deposits and prepayments		(29,972)	(8,873)
(Increase)/decrease in bills receivable		(1,138)	4,130
Decrease in bank balances held on behalf of brokerage clients		–	18
Increase in creditors, other advances and accrued charges		55,497	25,804
Proceeds from disposal of financial assets at fair value through profit or loss		6,951	–
Cash used in operations		(555)	(10,840)
Income tax paid		(51)	(392)
Net cash used in operating activities		(606)	(11,232)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 HK\$'000	2020 HK\$'000
Investing activities		
Interest received	13,408	13,673
Expenditure on investment properties	(41,204)	(3,411)
Purchases of property, plant and equipment and prepayments for acquisition of property, plant and equipment	(3,331)	(9,652)
Proceeds from disposal of investment properties	–	12,535
Proceeds from disposal of property, plant and equipment	8	593
Proceeds from disposal of subsidiaries	43,125	–
(Increase)/decrease in pledged deposits and bank balances	(68,021)	83
Increase in derivative financial assets	–	(110)
Net cash (used in)/generated from investing activities	(56,015)	13,711
Financing activities		
Interest paid on borrowings	(15,043)	(14,901)
Repayment of interest portion of the lease liabilities	(123)	(212)
Repayment of principal portion of the lease liabilities	(2,596)	(2,294)
Proceeds from other loans	–	10,000
Repayment of other loans	(4,050)	(5,950)
New bank loans raised	184,825	121,897
Repayment of bank loans	(108,362)	(105,275)
Net cash generated from financing activities	54,651	3,265
Net (decrease)/increase in cash and cash equivalents	(1,970)	5,744
Cash and cash equivalents at beginning of the year	63,634	59,992
Effect of foreign exchange rate changes	5,261	(2,102)
Cash and cash equivalents at end of the year	66,925	63,634
Analysis of the balances of cash and cash equivalents		
Bank balance and cash	66,925	63,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, trading of copper rods, investment properties, provision of financing and management service and holding of mining right. Its associates are engaged in advertising and media services, branding and marketing services, corporate image and strategy services, innovating strategy services, research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC. Its joint ventures are engaged in holding of mining right. Further details are set out in Notes 20, 21 and 22. The Company, together with its subsidiaries, associates and joint ventures are collectively referred to as the “Group”.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of new/revised HKFRSs – effective on 1 July 2020

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior years. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting year except for the amendment to HKFRS 16, COVID-19-Related Rent Concessions. Impact on the applications of these amended HKFRSs are summarised below.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extend the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies of changing the disclosure requirements with respect to accounting policies from ‘significant accounting policies’ to ‘material accounting policy information’ ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Annual Improvements to HKFRSs 2018–2020	HKFRS 1 First-time Adoption of International Financial Reporting Standards ²
Annual Improvements to HKFRSs 2018–2020	HKFRS 9 Financial Instruments ²
Annual Improvements to HKFRSs 2018–2020	Illustrative Examples accompanying HKFRS 16 ²

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies of changing the disclosure requirements with respect to accounting policies from ‘significant accounting policies’ to ‘material accounting policy information’

The amendments change the disclosure requirements with respect to accounting policies from ‘significant accounting policies’ to ‘material accounting policy information’. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to HKAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As HKFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to HKFRS Practice Statement 2.

Amendment to HKAS 8 – Definition of Accounting Estimates

The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of HKFRS 16). It introduces an additional criterion for the initial recognition exemption under HKAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

Amendments to HKAS 16 – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

HKFRS 17 – Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a ‘General Model’, which is modified for insurance contracts with direct participation features, described as the ‘Variable Fee Approach’. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Annual Improvements to HKFRSs 2018–2020 – HKFRS 1, First-time Adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.

Annual Improvements to HKFRSs 2018–2020 – HKFRS 9, Financial Instruments

The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

Annual Improvements to HKFRSs 2018–2020 – Illustrative Examples accompanying HKFRS 16, Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values as explained in the accounting policies set out below.

Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and basis of consolidation (continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is 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 profit or loss on disposal 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangements; or
- Joint operations: where the Group has both the rights to assets and obligation for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures using the equity method.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Buildings are depreciated over the shorter of the term of the lease or fifty years using the straight-line method.

Leasehold improvements are depreciated over the shorter of the remaining term of the lease or at 10% per annum using the straight-line method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is charged to write off the cost of property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Equipment, furniture and fixtures	20% – 30%
Plant and machinery	20%
Motor vehicles	20% – 30%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of prepaid land lease payments becomes an investment property when there is a change in use, as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining right

Mining right is stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Amortisation of mining right is calculated to write off the cost less accumulated impairment losses and reserves of the mines on the unit-of-production method.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life on the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Impairment of assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 in profit or loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses incurred in bringing the inventories to their present location and condition, is assigned to inventories by the method most appropriate to the particular class of inventories, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on the classification as follows:

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on debtors, financial assets measured at amortised cost and equity investments measured at FVTPL. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for debtors using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, depending on credit worth of customers.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including creditors, other advances and accrued charges and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and joint arrangements, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost. Right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	Over the lease terms
Buildings	Over the lease terms

Lease liabilities

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease liabilities (continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “**functional currency**”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognised as profit or loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included as profit or loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are expressed in HK\$ using exchange rates prevailing at the end of reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve within equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of share options has been recognised in profit or loss as share-based payments.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in share option reserve.

At the time when the 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 retained profits.

Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sales of goods

Revenue from sale of explosives is recognised at a point of time when the control of goods have been transferred to the buyer. There is generally only one performance obligation. Invoices are usually payable within 30 to 60 days. New customers are normally required to pay in advance. The advances received is recognised as contract liabilities.

Contract liabilities

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.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Employee benefits

Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel service to the Group's or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions adopted that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Net realisable value 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. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the end of each reporting period.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis or reducing balance method over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Reserve estimates and amortisation of mining right

Reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process and the determination of appropriate amortisation method of mining right may require complex and difficult geological judgments and calculations to interpret the data as well as consideration of the production plan.

Income taxes

The Group is subject to income taxes in various jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of property, plant and equipment

In determining whether an item of property, plant and equipment is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset or a CGU can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Valuation of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried in the consolidated statement of financial position at their fair value, details of which are disclosed in Note 16. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent qualified valuer using property valuation techniques which involve certain assumptions and inputs as set out in Note 16. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties included in the consolidated statement of financial position and corresponding adjustments to the changes in fair value recognised in profit or loss. As at 30 June 2021, the carrying amount of investment properties was approximately HK\$650,996,000 (2020: HK\$515,356,000).

Provision on ECL for trade debtors

The Group uses provision matrix to calculate ECL for the trade debtors. The expected loss rates are based on days past due for 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.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade debtors are disclosed in Notes 5 and 24 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision on ECL for other loans and receivables

The Group assesses at the end of the reporting period the ECLs of other loans and receivables in accordance with the three-stage model set out in accounting policy set out in Note 3 on individual or collectively basis, as appropriate. The Group estimates risk of default of the debtors and the ECL rates considering factors such as days past due of the receivables, debtors' creditworthiness, past repayment history, the recoverable amount of the securities and the timing of future cash inflows, then adjusted for existing market condition including forward looking estimates at the end of the reporting period.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's other loans and receivables are disclosed in Notes 5 and 24 respectively.

Impairment assessment of mining right

The Group's mining right is assessed annually to determine for any indication of further impairment or reversal of previously recognised impairment. Where an indicator of further impairment or reversal of impairment loss exists, a formal estimate of the recoverable amount of the CGU related to the mining right is made. The assessment requires the use of estimates and assumptions such as long-term selling prices, discount rates, future capital requirements and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimate future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment assessment of interests in associates and interests in joint ventures

The interests in associates and interests in joint ventures are subject to impairment review whenever there are indications that the carrying amount of the Group's interests may not be recoverable or impairment losses recognised in prior periods may have decreased. Where an indicator of further impairment or reversal of impairment loss exists, a formal estimate of the recoverable amount of the Group's interests in associates and interest in joint ventures is made. The calculation of the fair-value-less-costs-of-disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments in the normal course of the Group's business are foreign currency risk, credit risk, liquidity risk, interest rate risk, copper price risk and equity price risk. These risks are managed according to the Group's financial management policies and practices described below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("US\$").

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade receivables, intra-group companies balances and trade payables at the end of the reporting period, are as follows:

	2021 HK\$'000	2020 HK\$'000
Assets		
US\$	29,511	16,908
Liabilities		
US\$	14,856	7,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in the functional currencies of the group entities, against relevant foreign currencies, mainly US\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for 5% change in foreign currency rates.

A negative number below indicates a decrease in profit (2020: an increase in loss) for the year when the functional currencies have strengthened against the relevant foreign currencies. For a 5% weakening of the functional currencies against the relevant foreign currencies, there would be an equal but opposite impact on the result for the year.

	2021 HK\$'000	2020 HK\$'000
US\$		
Increase in profit/decrease in loss for the year	733	(467)

Credit risk

In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

The Group has no significant concentration of credit with exposure spread over a number of counterparties and customers.

Pledged bank deposits and bank balances and cash, including bank balances held on behalf of brokerage clients, are mainly deposited with registered banks in the PRC and Hong Kong. The Group has policies to limit its credit exposure to any financial institution. The directors consider the credit risk on bills receivables is low since the issuers or the banks which guarantee payments of bills receivables are of high credit rating. Accordingly, the ECLs for pledged bank deposits, bank balances and cash and bills receivables were expected to be minimal.

The carrying amounts of debtors, other loans and receivables and deposits, bills receivable, financial assets at FVTPL, pledged bank deposits, bank balances and cash included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets which carry significant exposure to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

(i) Impairment of trade debtors

The Group measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on days past due for groupings of customer segments that have similar loss patterns.

The following tables provide information about the Group's exposure to credit risk and ECLs for the trade debtors as at 30 June 2021 and 2020:

At 30 June 2021

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Neither past due nor impaired	0.61%	70,974	434
0–30 days past due	1.33%	12,862	171
31–90 days past due	0.42%	1,202	5
Over 90 days past due	90.90%	2,021	1,837
		87,059	2,447

At 30 June 2020

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Neither past due nor impaired	0.70%	45,651	319
0–30 days past due	0.54%	9,031	49
31–90 days past due	0.63%	1,909	12
Over 90 days past due	86.11%	2,182	1,879
		58,773	2,259

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

(ii) Impairment of other loans and receivables and deposits

The Group measures loss allowances for other loans and receivables and deposits using the general approach under HKFRS 9. Impairment of these receivables and deposits was provided based on the “three-stage” model by referring to the changes in credit quality since initial recognition.

These receivables and deposits that are not credit-impaired on initial recognition are classified in “Stage 1” and have their credit risk continuously monitored by the Group. The ECL is measured on a 12-month basis.

- If a significant increase in credit risk (as defined in accounting policy at Note 3) since initial recognition is identified, the financial asset is moved to “Stage 2” but it not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.
- If the financial asset is credit-impaired (as defined in accounting policy at Note 3), the financial asset is then moved to “Stage 3”. The ECL is measured on lifetime basis.
- At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The following table provides information about the Group’s exposure to credit risk and ECLs for other receivables and deposits as at 30 June 2021 and 2020:

At 30 June 2021

	Expected loss rate %	12-month ECLs Stage 1 HK\$’000	Lifetime ECLs, non-credit impaired Stage 2 HK\$’000	Lifetime ECLs, credit impaired Stage 3 HK\$’000	Gross carrying amount HK\$’000	Loss allowance HK\$’000
Other loans and receivables and deposits	13.54%	28,774	87,287	110,566	226,627	30,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

(ii) Impairment of other loans and receivables and deposits (continued)

At 30 June 2020

	Expected loss rate %	12-month ECLs Stage 1 HK\$'000	Lifetime ECLs, non-credit impaired Stage 2 HK\$'000	Lifetime ECLs, credit impaired Stage 3 HK\$'000	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Other loans and receivables and deposits	8.94%	32,293	100,069	64,391	196,753	17,590

Change in gross carrying amounts of other loans and receivables and deposits during the year ended 30 June 2021 and 2020 did not result in significant change in the loss allowance.

The movements in provision for impairment of other loans and receivables and deposits are as follows:

	12-month ECLs Stage 1 HK\$'000	Lifetime ECLs, non-credit impaired Stage 2 HK\$'000	Lifetime ECLs, credit impaired Stage 3 HK\$'000	Total HK\$'000
As at 1 July 2019	20,242	–	10,598	30,840
Transfer to Stage 2	–	10,598	(10,598)	–
Transfer to Stage 3	(16,142)	–	16,142	–
Expected credit loss (reversed)/ recognised during the year	(3,360)	(8,991)	65	(12,286)
Exchange realignment	(2)	(293)	(669)	(964)
As at 30 June 2020 and 1 July 2020	738	1,314	15,538	17,590
Transfer to Stage 3	(731)	–	731	–
Expected credit loss recognised during the year	159	2,519	9,002	11,680
Disposal of subsidiaries	–	(46)	–	(46)
Exchange realignment	4	189	1,275	1,468
As at 30 June 2021	170	3,976	26,546	30,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk relates primarily to the Group's floating-rate borrowings (Note 31).

Management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the interest rate risk.

At 30 June 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year (2020: increase/decrease the Group's loss for the year) and increase/decrease the accumulated losses by approximately HK\$2,607,000 (2020: HK\$1,746,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2020.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturities for its financial liabilities as at the end of reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
At 30 June 2021					
Non-derivative financial liabilities					
Creditors, other advances and accrued charges	171,625	176,192	148,902	9,108	18,182
Lease liabilities	3,202	3,342	2,005	1,337	–
Borrowings	260,679	273,344	249,288	2,118	21,938
Promissory notes	8,960	8,960	8,960	–	–
	444,466	461,838	409,155	12,563	40,120
Derivative financial liabilities					
Derivative financial liabilities	580	580	580	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2020					
Non-derivative financial liabilities					
Creditors, other advances and accrued charges	92,977	92,977	84,986	3,606	4,385
Lease liabilities	2,894	2,962	2,962	–	–
Borrowings	174,638	192,061	115,749	54,374	21,938
Promissory notes	8,251	8,960	8,960	–	–
	278,760	296,960	212,657	57,980	26,323

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the end of reporting period are set out in Note 27.

At 30 June 2021, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would increase/decrease the Group's profit for the year (2020: decrease/increase the Group's loss for the year) and decrease/increase the accumulated losses by approximately HK\$1,089,000 (2020: HK\$Nil) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies (continued)

Equity price risk

The Group is exposed to equity price changes arising from financial assets at FVTPL held for trading purpose.

The Group's listed investments are listed on The Stock Exchange of Hong Kong. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index of the Stock Exchange and other industry indicators, as well as the Group's liquidity needs.

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2021, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would increase/decrease the Group's profit for the year (2020: decrease/increase the Group's loss for the year) and decrease/increase the accumulated losses by HK\$509,000 (2020: HK\$877,000).

(b) Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions; and
- the fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials according to professional valuation report, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their corresponding fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value (continued)

HKFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

- Level 1 – Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's derivatives are measured at fair value at 30 June 2021 and 2020:

		2021			
		Level 1	Level 2	Level 3	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asset					
	Financial assets at FVTPL	5,091	–	–	5,091
Liability					
	Copper future contracts	580	–	–	580
		2020			
		Level 1	Level 2	Level 3	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asset					
	Financial assets at FVTPL	8,768	–	–	8,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

6. REVENUE

Revenue derived from the Group's principal activities comprises of the followings:

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers:		
Sales of goods	419,295	276,254
Revenue from other sources:		
Rental income	13,754	12,017
	433,049	288,271

7. SEGMENTAL INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers ("CODM") that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group's reportable segments are as follows:

- (i) manufacture and trading of cables and wires;
- (ii) trading of copper rods; and
- (iii) investment properties.

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2020 and 2021 and for the years then ended for the purpose of segment reporting.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before taxation. The adjusted profit/loss before taxation is measured consistently with the Group's profit/loss before taxation except that impairment loss on mining right, share of results of associates and joint ventures as well as head office and corporate expenses (including share-based payment expenses etc.) are excluded from such measurement.

Segment assets exclude mining right, interests in associates and joint ventures, deferred tax assets, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude promissory notes, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2021

	Cables and wires HK\$'000	Copper rods HK\$'000	Investment properties HK\$'000	Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customer	278,995	140,300	13,754	433,049	-	433,049
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	278,995	140,300	13,754	433,049	-	433,049
Reportable segment (loss)/profit	(15,254)	2,070	88,061	74,877	-	74,877
Finance costs	(9,792)	(3,832)	(1,354)	(14,978)	-	(14,978)
Change in fair value of derivative financial instruments, net	69	4	-	73	-	73
Change in fair value of investment properties, net	-	-	85,911	85,911	-	85,911
Gain on disposal of property, plant and equipment	3	-	-	3	-	3
Expected credit loss, net allocated	(624)	(1,929)	(5,762)	(8,315)	-	(8,315)
unallocated						(3,385)
						(11,700)
Provision for litigation	-	(743)	-	(743)	-	(743)
Depreciation of right of use assets allocated	(7)	(209)	(46)	(262)	-	(262)
unallocated						(2,268)
						(2,530)
Depreciation of property, plant and equipment allocated	(4,942)	(835)	(368)	(6,145)	-	(6,145)
unallocated						(2,728)
						(8,873)
Income tax expense	-	-	(20,779)	(20,779)	-	(20,779)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 30 June 2020

	Cables and wires HK\$'000	Copper rods HK\$'000	Investment properties HK\$'000	Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customer	178,209	98,045	12,017	288,271	–	288,271
Inter-segment revenue	–	15,433	–	15,433	(15,433)	–
Reportable segment revenue	178,209	113,478	12,017	303,704	(15,433)	288,271
Reportable segment profit/(loss)	5,643	(16,329)	9,818	(868)	–	(868)
Finance costs	(8,203)	(3,962)	(558)	(12,723)	–	(12,723)
Change in fair value of derivative financial instruments, net	–	(134)	–	(134)	–	(134)
Change in fair value of investment properties, net	–	–	371	371	–	371
Loss on disposal of property, plant and equipment allocated	(752)	(770)	(426)	(1,948)	–	(1,948)
unallocated						(10)
						(1,958)
Reversal of expected credit loss/(expected credit loss) recognised, net allocated	(601)	(1,067)	9,931	8,263	–	8,263
unallocated						3,415
						11,678
Provision for litigation	–	(15,514)	–	(15,514)	–	(15,514)
Depreciation of right of use assets allocated	(7)	(906)	(874)	(1,787)	–	(1,787)
unallocated						(2,448)
						(4,235)
Depreciation of property, plant and equipment allocated	(5,269)	(2,728)	(655)	(8,652)	–	(8,652)
unallocated						(2,762)
						(11,414)
Income tax credit/(expense) allocated	305	1,879	(1,090)	1,094	–	1,094
unallocated						17
						1,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

As at 30 June 2021

	Cables and wires HK\$'000	Copper rods HK\$'000	Investment properties HK\$'000	Total HK\$'000
Reportable segment assets	262,504	162,407	687,290	1,112,201
Additions to non-current assets	3,331	–	54,733	58,064
Reportable segment liabilities	353,093	16,403	91,374	460,870

As at 30 June 2020

	Cables and wires HK\$'000	Copper rods HK\$'000	Investment properties HK\$'000	Total HK\$'000
Reportable segment assets	105,781	197,139	567,644	870,564
Additions to non-current assets	1,056	–	45,644	46,700
Reportable segment liabilities	151,708	79,089	52,394	283,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. SEGMENTAL INFORMATION (continued)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2021 HK\$'000	2020 HK\$'000
For the year ended 30 June		
Profit/(loss) before taxation		
Reportable segment profit/(loss)	74,877	(868)
Change in fair value of derivative financial instruments	(580)	–
Reversal of impairment loss/(impairment loss) on intangible assets	130,206	(29,348)
Loss on redemption of promissory notes	–	(531)
Revaluation deficit of right-of-use assets	–	(25,202)
Share of results of joint ventures	11,892	(4,048)
Share-based payment expenses	–	(1,518)
Share of results of associates and impairment loss on interests in associates	(1,811)	(18,926)
Unallocated finance costs	(897)	(1,648)
Unallocated corporate expenses	(25,056)	(62,741)
Consolidated profit/(loss) before income tax expense/credit	188,631	(144,830)
At 30 June		
Assets		
Reportable segment assets	1,112,201	870,564
Mining right	557,560	427,349
Interests in joint ventures	24,267	12,379
Interests in associates	11,600	33,125
Unallocated bank balances and cash	12,937	3,427
Unallocated corporate assets	45,737	33,265
Consolidated total assets	1,764,302	1,380,109
Liabilities		
Reportable segment liabilities	460,870	283,191
Taxation	–	47
Promissory notes	8,960	8,251
Deferred tax liabilities	88,190	69,092
Unallocated corporate liabilities	7,732	10,662
Consolidated total liabilities	565,752	371,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. SEGMENTAL INFORMATION (continued)

(c) Geographical information

The Group's operations are conducted in Hong Kong, the PRC, Americas, Europe and other Asian regions.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
The PRC	270,599	194,947	456,597	535,335
Americas	38,843	19,399	–	–
Europe	61,646	38,479	–	–
Hong Kong	35,333	21,174	3,538	51,043
Other Asian regions	26,628	14,272	820,333	442,344
	433,049	288,271	1,280,468	1,028,722

The revenue information above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets.

(d) Disaggregation of revenue by timing of revenue recognition

For the year ended 30 June 2021

	Cables and wires HK\$'000	Copper rods HK\$'000	Investment properties HK\$'000	Total HK\$'000
Revenue from contracts with customers disaggregated by timing of revenue recognition				
At a point in time	278,995	140,300	–	419,295
Transferred over time	–	–	–	–
	278,995	140,300	–	419,295
Revenue from other sources	–	–	13,754	13,754
	278,995	140,300	13,754	433,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. SEGMENTAL INFORMATION (continued)

(d) Disaggregation of revenue by timing of revenue recognition (continued)

For the year ended 30 June 2020

	Cables and wires HK\$'000	Copper rods HK\$'000	Investment properties HK\$'000	Total HK\$'000
Revenue from contracts with customers disaggregated by timing of revenue recognition				
At a point in time	178,209	98,045	–	276,254
Transferred over time	–	–	–	–
	178,209	98,045	–	276,254
Revenue from other sources	–	–	12,017	12,017
	178,209	98,045	12,017	288,271

(e) Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group is as follows:

	2021 HK\$'000	2020 HK\$'000
Copper rods segment		
Customer A	54,484	47,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) from operations is arrived at after charging/(crediting) the followings:

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	2,150	2,150
Depreciation of property, plant and equipment	8,873	11,414
Carrying amount of inventories sold	375,444	256,505
Reversal of write-down of inventories	(629)	(267)
Cost of inventories recognised as expenses (Note (i))	374,815	256,238
Short term lease expenses	651	200
Depreciation of right-of-use assets	2,530	4,235
Direct operating expenses arising from investment properties that generate rental income during the year	395	1,261
(Gain)/loss on disposal of property, plant and equipment	(3)	1,958
Loss on disposal of investment properties	–	1,290
Exchange difference, net	5,008	(188)
Government subsidies	(602)	(562)
Research and development expenses	4,570	–
Share-based payment expenses (Note 36)	–	1,518
Staff costs (including directors' remuneration (Note 9))	61,598	56,017
Loss on early redemption of promissory notes	–	531
Provision for litigation (Note 45)	743	15,514

Note:

- (i) Included in cost of inventories is HK\$35,382,000 (2020: HK\$25,899,000) relating to staff costs and depreciation of property, plant and equipment. The amounts are also included in the respective total amounts as separately disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the remuneration of the directors and the five highest paid individuals for the year were as follows:

	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors								
Chau Lai Him	–	–	6,890	6,890	–	–	6,890	6,890
Liu Dong Yang	317	317	274	259	68	73	659	649
Chau Chi Ho	–	–	1,118	1,118	18	18	1,136	1,136
Chung Kam Kwong	432	432	–	–	–	–	432	432
Lo Wai Ming	266	266	–	–	–	–	266	266
Lo Chao Ming	100	100	–	–	–	–	100	100
	1,115	1,115	8,282	8,267	86	91	9,483	9,473

There was no arrangement under which a director waived or agreed to waive any remuneration, and neither incentive payment nor compensation for loss of office was paid to a director during the current and prior years.

The five highest paid individuals of the Group include two (2020: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the three (2020: three) non-director individual was as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	2,909	3,967
Contributions to retirement benefit schemes	58	54
	2,967	4,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Remuneration of these individuals was within the following bands:

	Number of individuals	
	2021	2020
Nil – HK\$1,000,000	2	–
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$1,500,001 – HK\$2,000,000	–	1

The emoluments paid or payable to members of senior management were within the following bands:

	Number of individuals	
	2021	2020
Nil – HK\$1,000,000	8	6
HK\$1,000,001 – HK\$1,500,000	2	3
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$6,500,001 – HK\$7,000,000	1	1

10. FINANCE COSTS

	2021	2020
	HK\$'000	HK\$'000
Interest on borrowings	15,043	14,901
Interest on lease liabilities (Note 17)	123	212
Imputed interest on promissory notes (Note 32)	709	797
Less: Amount capitalised (Note (i))	–	(1,539)
	15,875	14,371

Note:

- (i) During the year ended 30 June 2020, borrowing costs capitalised arose on the general borrowing pool and were calculated by applying a capitalisation rate of 9.13% to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11. INCOME TAX EXPENSE/(CREDIT)

	2021 HK\$'000	2020 HK\$'000
Current tax for the year		
Hong Kong profits tax		
– provision for the year	–	–
Taxation in other jurisdictions:		
– provision for the year	–	18
– Under-provision in respect of previous years	–	352
	–	370
Deferred tax for the year (Note 33)	20,779	(1,481)
	20,779	(1,111)

No provision for Hong Kong profits tax is made for current and prior years as there is no assessable profits arising in Hong Kong for both years. Taxation in other countries and jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The corporate income tax for enterprises in the PRC is calculated at the applicable standard rate of 25% for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11. INCOME TAX EXPENSE/(CREDIT) (continued)

Reconciliation between taxation for the year and profit/(loss) before taxation presented in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2021 HK\$'000	2020 HK\$'000
Profit/(loss) before taxation	188,631	(144,830)
Tax calculated at the rates applicable to the tax jurisdictions concerned	49,832	(36,207)
Tax effect of expenses not deductible for tax purpose	7,389	27,929
Tax effect of income not taxable for tax purpose	(34,551)	(3,520)
Deduction of research and development cost	(881)	–
Tax effect of tax losses not recognised	3,038	8,961
Utilisation of tax losses previously not recognised	(1,944)	–
Under-provision in respect of prior years	–	352
Tax effect of temporary difference not recognised	416	290
Tax effect on share of results of associates	453	72
Tax effect on share of results of joint ventures	(2,973)	1,012
Income tax expense/(credit) for the year	20,779	(1,111)

12. OTHER INCOME AND GAINS

	2021 HK\$'000	2020 HK\$'000
Other rental income	224	212
Effect of lease modifications	89	–
Gain on disposal of property, plant and equipment	3	–
Government subsidies (Note)	602	562
Others	863	1,045
	1,781	1,819

Note:

Government subsidies mainly related to wage subsidies from the government under the Employment Support Scheme (“ESS”). Under the term of the ESS, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

13. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2020 and 2021.

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	2021 HK\$'000	2020 HK\$'000
Earnings/(loss)		
Profit/(loss) for the year attributable to the owners of the Company	156,346	(142,259)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,374,532,340	2,374,532,340

There was no movement on the number of shares in issue during the year. The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 30 June 2021 and 2020 are 2,374,532,340.

The computation of diluted earnings per share during the year ended 30 June 2021 does not assume the exercise of the Company's all share options because the exercise price of those options was higher than the average market price for shares for the year ended 30 June 2021, while the computation of diluted earnings per share during the year ended 30 June 2020 did not assume the subscription of the Company's outstanding potential dilutive ordinary shares as they are anti-dilutive. Therefore, the diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share for the years ended 30 June 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST:							
At 1 July 2019	-	73,632	24,271	65,913	268,272	29,704	461,792
Additions	42,897	-	-	623	433	545	44,498
Revaluation	4,421	19,778	-	-	-	-	24,199
Transferred to investment properties (Note 16)	(47,318)	(35,980)	-	-	-	-	(83,298)
Elimination of accumulated depreciation	-	(23,447)	-	-	-	-	(23,447)
Disposals	-	-	(1,099)	(1,300)	(7,070)	(9,242)	(18,711)
Exchange realignment	-	(2,242)	(754)	(1,954)	(8,700)	(606)	(14,256)
At 30 June 2020 and 1 July 2020	-	31,741	22,418	63,282	252,935	20,401	390,777
Additions	-	-	-	850	1,956	525	3,331
Disposals	-	-	-	-	(54)	(280)	(334)
Disposal of subsidiaries (Note 34)	-	-	-	(1,226)	(100,231)	(146)	(101,603)
Exchange realignment	-	3,023	1,922	4,694	19,304	1,497	30,440
At 30 June 2021	-	34,764	24,340	67,600	173,910	21,997	322,611
ACCUMULATED DEPRECIATION AND IMPAIRMENT:							
At 1 July 2019	-	53,325	17,264	55,188	251,824	25,648	403,249
Depreciation	-	2,901	1,341	3,583	2,481	1,108	11,414
Elimination on revaluation	-	(23,447)	-	-	-	-	(23,447)
Disposals	-	-	(1,037)	(824)	(6,323)	(7,976)	(16,160)
Exchange realignment	-	(1,713)	(567)	(1,736)	(8,116)	(520)	(12,652)
At 30 June 2020 and 1 July 2020	-	31,066	17,001	56,211	239,866	18,260	362,404
Depreciation	-	525	1,265	3,555	2,754	774	8,873
Disposals	-	-	-	-	(49)	(280)	(329)
Disposal of subsidiaries (Note 34)	-	-	-	(1,139)	(100,231)	(142)	(101,512)
Impairment loss	-	-	-	-	-	131	131
Exchange realignment	-	2,990	1,489	4,241	18,056	1,335	28,111
At 30 June 2021	-	34,581	19,755	62,868	160,396	20,078	297,678
NET CARRYING AMOUNT:							
At 30 June 2021	-	183	4,585	4,732	13,514	1,919	24,933
At 30 June 2020	-	675	5,417	7,071	13,069	2,141	28,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

15. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 30 June 2021, a motor vehicle was retired and accordingly an impairment loss of HK\$131,000 (2020: HK\$ Nil) is recognised in profit and loss.

During the year ended 30 June 2020, the use of certain previously self-used premises of the buildings of the Group had been changed and the management had decided to lease out the premises for rental income. Accordingly, the carrying amounts of construction-in-progress of HK\$47,318,000 and buildings of HK\$35,980,000 (after revaluation upon the transfer) as at the date of transfer had been transferred to investment properties of the Group. A surplus on revaluation, net of deferred taxation, of HK\$18,149,000 was credited to property revaluation reserve.

16. INVESTMENT PROPERTIES

	Notes	Completed investment properties HK\$'000	Investment properties under construction HK\$'000	Total HK\$'000
At 1 July 2019		321,160	–	321,160
Additions		–	2,747	2,747
Transferred from property, plant and equipment	15	35,980	47,318	83,298
Transferred from right-of-use assets	17	22,010	97,814	119,824
Change in fair value		(230)	601	371
Exchange realignment		(10,450)	(1,594)	(12,044)
At 30 June 2020 and 1 July 2020		368,470	146,886	515,356
Additions		–	54,733	54,733
Change in fair value		31,238	54,673	85,911
Disposal of subsidiaries	34	(53,110)	–	(53,110)
Exchange realignment		31,094	17,012	48,106
At 30 June 2021		377,692	273,304	650,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

16. INVESTMENT PROPERTIES (continued)

The Group's investment properties were valued at 30 June 2021 by Peak Vision Appraisals Limited ("Peak Vision") and LCH (Asia-Pacific) Surveyors Limited ("LCH"), which are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties was based on one of the following approaches:

- (i) investment approach by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies;
- (ii) direct comparison approach by making reference to comparable sales evidence available as in the relevant market; or
- (iii) depreciated replacement cost approach by making reference to the market value of comparable land and the estimated replacement cost of the buildings.

These valuations gave rise to net fair value gain of HK\$85,911,000 (2020: HK\$371,000) during the year.

The fair value of the investment properties is a Level 3 recurring fair value measurement.

For the significant unobservable inputs used under the investment approach, term yield ranging from 2.6% to 27.6% (2020: 5.9% to 19.0%), reversionary yield ranging from 2.3% to 9.4% (2020: 8.9% to 9.0%) and average market unit rent per month ranging from RMB12 to RMB437 (2020: RMB11 to RMB38) per square metre are adopted for the industrial buildings. As at 30 June 2021, no residential buildings is held by the Group.

Under the direct comparison approach, significant inputs of the Group's industrial buildings in the PRC include price per square metre of RMB231 to RMB2,320 (2020: RMB225 to RMB1,951) adjusted for a range from a discount of 36% to a premium of 8% (2020: from a discount of 39% to a premium of 4%) specific to the location of the Group's industrial building located in the PRC compared to recent sales on the comparable transactions.

Under the depreciated replacement cost approach, the estimated replacement cost per square metre adopted is from RMB780 to RMB1,588 (2020: RMB749 per square metre).

The fair value measurement of investment properties is (i) negatively correlated to the term yield and reversionary yield and positively correlated to average market unit rent per month under the investment approach; (ii) positively correlated to the price per square feet and square metre where appropriate and a favourable adjustment on the comparable transactions under the direct comparison approach; and (iii) positively correlated to the estimated replacement cost under the depreciated replacement cost approach.

The fair value measurement is based on the above properties highest and best use, which does not differ from their current use.

Fair value adjustments of investment properties are recognised in profit or loss. All the gains recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

16. INVESTMENT PROPERTIES (continued)

There was no transfer between Levels 1, 2 and 3 during the year.

The Group's investment properties are mainly situated in the PRC.

As at 30 June 2021, the Group pledged investment properties with aggregate carrying amount of HK\$364,263,000 (2020: HK\$310,456,000) to secure the borrowings of the Group (Note 31).

17. LEASES

(a) The Group as lessee

The Group has lease contracts for office buildings. Lump sum payments were made upfront to acquire the interests in the leasehold land in the PRC. Leases of office buildings generally have lease terms ranging from one to three years and lease payments are fixed over the lease terms. There is no extension options, variable lease payments nor restrictions or covenants included in these agreements.

Certain leases of office buildings have lease terms of 12 months or less and the Group did not capitalised these leases by applying the short-term lease recognition exemption.

(i) Right-of-use assets

The movements of the carrying amounts of the Group's right-of-use assets during the year are set out below:

	Leasehold land HK\$'000	Buildings HK\$'000	Total HK\$'000
As at 1 July 2019	103,207	4,897	108,104
Revaluation, net (Note)	27,161	–	27,161
Transferred to investment properties (Note 16)	(119,824)	–	(119,824)
Depreciation	(1,787)	(2,448)	(4,235)
Exchange realignment	(2,746)	–	(2,746)
As at 30 June 2020 and 1 July 2020	6,011	2,449	8,460
Addition	–	3,808	3,808
Depreciation	(262)	(2,268)	(2,530)
Modification of leases	–	(815)	(815)
Exchange realignment	557	–	557
As at 30 June 2021	6,306	3,174	9,480

Note: During the year ended 30 June 2020, the revaluation amount comprised the net effect of revaluation gain of HK\$52,363,000 and revaluation deficit of HK\$25,202,000. With regard to the revaluation gain, a surplus of revaluation, net of deferred taxation, of HK\$39,272,000 was credited to property revaluation reserve. The revaluation deficit of HK\$25,202,000 was charged to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

17. LEASES (continued)

(a) The Group as lessee (continued)

(ii) Lease liabilities

	2021 HK\$'000	2020 HK\$'000
At 1 July	2,894	5,188
New leases	3,808	–
Interest expenses	123	212
Lease payments	(2,719)	(2,506)
Modification of leases	(904)	–
At 30 June	3,202	2,894
Classified under:		
Non-current portion	1,316	–
Current portion	1,886	2,894
	3,202	2,894

At 30 June 2021, the undiscounted lease payments by the Group in future period under non-cancellable operating leases with its tenants are as follows:

	2021		
	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
Within one year	2,005	119	1,886
After one year but within two years	1,337	21	1,316
	3,342	140	3,202
	2020		
	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
Within one year	2,962	68	2,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

17. LEASES (continued)

(a) The Group as lessee (continued)

(iii) Information in relation to short term leases

	2021 HK\$'000	2020 HK\$'000
Short term lease expenses	651	200
Aggregate undiscounted commitments for short term leases	85	116

(b) The Group as lessor

The Group leases out its investment properties under operating lease arrangements with leases negotiated for period ranging from one year to fifteen years (2020: one year to fifteen years). As at 30 June 2021, the Group had contracted with tenants for the following future minimum lease payments receivable:

	2021 HK\$'000	2020 HK\$'000
Within one year	16,158	40,995
In the second year	15,270	14,983
In the third year	15,769	15,059
In the fourth year	13,077	15,045
In the fifth year	4,977	11,967
Over five years	15,067	21,632
	80,318	119,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

18. INTANGIBLE ASSETS

	Mining right HK\$'000
COST:	
At 1 July 2019	1,167,711
Exchange realignment	(27)
At 30 June 2020 and 1 July 2020	1,167,684
Exchange realignment	5
At 30 June 2021	1,167,689
ACCUMULATED AMORTISATION AND IMPAIRMENT:	
At 1 July 2019	710,988
Impairment	29,348
Exchange realignment	(1)
At 30 June 2020 and 1 July 2020	740,335
Reversal of impairment	(130,206)
At 30 June 2021	610,129
NET CARRYING AMOUNT:	
At 30 June 2021	557,560
At 30 June 2020	427,349

The mining right represents the right to conduct mining activities in the location of Nergui, Delgerkhantai soum, Dundgobi aimag, the State of Mongolia, for a period of 30 years, expiring on 23 November 2039. The mining operating license is issued by the Mineral Resources Authority of the State of Mongolia. It is extendable by 2 successive 20 years each.

The mining right is subject to impairment review whenever there are indications that the mining right's carrying amount may not be recoverable or impairment losses recognised in prior periods may have decreased.

During the year ended 30 June 2021, the directors of the Company have engaged Peak Vision in determining the recoverable amount of the CGU for which the mining right belongs to (the "Mining CGU"). Given the current development status of mining right, management has determined that recoverable amount of the Mining CGU on a fair-value-less-costs-of-disposal basis. The calculation has incorporated assumptions that a typical market participant would use in estimating the recoverable amount of the Mining CGU, which adopted cash flow projection for a period of 9 years, which is estimated to be the entire period of mining activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

18. INTANGIBLE ASSETS (continued)

The outbreak of COVID-19 affected the global economic environment and to cope with the pandemic, Mongolia imposed lockdown measures for most of the time during the year, which limited the work of geologists at the mining sites of the projects. Upon the Board's deliberation of these factors and the development direction of the Group, the directors are of opinion that the exploitation of mineral resources could not create synergy effect to the business development of the Group for the time being. The Group suspended its mining investment and development in Mongolia temporarily and consequently, a cash flow projection based on latest financial budgets approved by the Group's management. There has been no change from the valuation technique used in prior year.

The key assumptions used in the cash flow projection are as follow:

At 30 June 2021, management analysed changes in the economic environment and performed an impairment test for Mining CGU at 30 June 2021 using the following key assumptions to determine the recoverable amount:

- In determining the revenue growth, a constant of the production level is expected in the cash flow projection periods;
- Total production was estimated based on average sustainable production levels of 20,000 metric tonnes of primary copper cathode per annum, of 12.56 million tonnes of ores. The ores will be used primarily for the production of the primary copper cathode;
- Budgeted average gross margins 58% in the cash flow projection periods based on management expectations of market development and estimated mineral resources reserves based on technical report;
- The unit market price of copper cathode was ranged from US\$5,795 per tonne to US\$8,452 per tonne with reference to the future copper price at the end of each forecast period predicted by the World Bank;
- The post-tax discount rate was estimated in real terms based on the weighted average cost of capital basis and was 21.83%. In determining the discount rate, the weighted average cost of capital was used, which is based on capital asset pricing model and determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparable;
- Operating costs were projected based on the feasibility study report adjusted for inflation; and
- For the estimation of inflation rate, inflation rates relevant to the global and local Mongolian economy are taken as reference.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

18. INTANGIBLE ASSETS (continued)

Values assigned to key assumptions and estimates used to measure Mining CGU's recoverable amount based on external sources of information and historic data. Management believes that the values assigned to the key assumptions and estimates represented the most realistic assessment of future trends. The results were particularly sensitive to the following key assumptions:

- A 10% reduction in the projected copper price level would result in a decrease in the recoverable amount by 20% but would not lead to an impairment; and
- A 10% increase in the post-tax discount rate (i.e. increased from 21.83% to 24.01%) would result in a decrease in the recoverable amount by 13% but would not lead to an impairment.

The fair value of the mining right is a Level 3 non-recurring fair value measurement.

As at 30 June 2021, in view of the continuously increase (2020: decrease) in the LME copper price, the carrying amount of the Mining CGU was HK\$429,408,000, which was lower than the recoverable amount of HK\$559,614,000. Accordingly, reversal of impairment losses on Mining CGU of approximately HK\$ HK\$130,206,000, is recognised in profit or loss for the year ended 30 June 2021. The reversal of impairment loss is primarily due to the significant increase in copper price and hence a corresponding increase in future cash inflows, which is attributed to the increase in the recoverable amount of the Mining CGU.

As at 30 June 2020, the carrying amount of the Mining CGU was HK\$459,490,000, which was higher than the recoverable amount of HK\$430,142,000 based on the above assessment, resulting in an impairment loss of HK\$29,348,000. The impairment loss is primarily due to the delay in the mining plan and hence a corresponding decrease in future cash inflows, which is attributed to the decrease in the recoverable amount of the mining right.

19. PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Prepayments made for construction of investment properties	1,632	3,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries as at the end of reporting period are set out below:

Name of subsidiary	Kind of entity	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Company		Principal activities
				Directly	Indirectly	
Chau's Electrical (BVI) Company Limited	Limited liability company	British Virgin Islands ("BVI")/PRC	1 share of US\$1	–	100%	Property holding
Chau's Electrical Company Limited	Limited liability company	Hong Kong ("HK")	HK\$1,000 ordinary HK\$500,000 non-voting deferred (Note (a))	–	100%	Manufacture and trading of cable and wire products and property holding
Chau's Industrial Investments Limited	Limited liability company	BVI	US\$1,000	100%	–	Investment holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.	Wholly-owned foreign enterprise	PRC	US\$20,025,000	–	100%	Trading of copper products and property holding
東莞橋梓周氏電業有限公司 Dongguan Qiaozhi Chau's Electrical Co., Ltd	Wholly-owned foreign enterprise	PRC	HK\$6,810,000	–	100%	Manufacture and trading of cable and wire products
Gosberton Assets Limited	Limited liability company	BVI	US\$1	–	100%	Holding of trademarks
Great Measure Investments Limited	Limited liability company	BVI	US\$1	100%	–	Investment holding
Hua Yi Copper Products Company Limited	Limited liability company	HK	HK\$5,000,000	–	100%	Trading of copper products
Ikh Shijir Erdene LLC	Limited liability company	The State of Mongolia	US\$100,000	–	100%	Mining business (not yet commenced)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Kind of entity	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of effective interest held by the Company		Principal activities
				Directly	Indirectly	
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd	Wholly-owned foreign enterprise	PRC	US\$2,500,000	–	100%	Property holding
Sun Progress Limited	Limited liability company	BVI	US\$1	–	100%	Investment holding
Pico Zeman Securities (HK) Ltd	Limited liability company	HK	HK\$47,650,000	–	93.94%	Trading of securities (cessation of business)
廉江市周氏石材有限公司 Lianjiang Zhou's Marble Company Limited ("Zhou's Marble")	Limited liability company	PRC	RMB10,000,000	–	80%	Processing and trading of marble related products (not yet commenced)

Notes:

- (a) The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up.
- (b) Except for Chau's Industrial Investments Limited and Great Measure Investments Limited, all the subsidiaries are indirectly held by the Company.

None of the subsidiaries issued any debt security at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

21. INTERESTS IN ASSOCIATES

	2021 HK\$'000	2020 HK\$'000
Share of net assets	11,600	33,125

Particulars of the Group's associates as at 30 June 2021 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
Idea Advertising Holdings Ltd.#	Limited liability company	BVI	49% (direct)	Investment holding
Idea Advertising Hong Kong Company Ltd.#	Limited liability company	Hong Kong	49% (indirect)	Investment holding
廣州市藝典廣告有限公司#	Limited liability company	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services
Ocean Pride Ventures Limited*	Limited liability company	BVI	17% (direct)	Investment holding
Vietta Investment Holdings Limited*	Limited liability company	Hong Kong	17% (indirect)	Investment holding
江門市健輝照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

21. INTERESTS IN ASSOCIATES (continued)

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
江門市博林照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC

Collectively known as the "Idea Group"

* Collectively known as the "Ocean Ride Group"

The financial statements of the above companies are not audited by BDO Limited or any of its member firms.

Idea Group

During the year, the recoverable amount of the Idea Group was determined by the directors of the Company based on fair value less cost of disposal calculations with reference to a professional valuation performed by Peak Vision.

As at 30 June 2021, the carrying amount of the Idea Group, before impairment, approximate its recoverable amount based on the above assessment. Accordingly, no impairment loss on interests in associates is recognised in profit or loss.

As at 30 June 2020, the carrying amount of the Idea Group, before impairment, is higher than its recoverable amount based on the above assessment. Accordingly, impairment loss on interests in associates of HK\$13,646,000 was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

21. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in relation to the Idea Group is presented below:

	2021 HK\$'000	2020 HK\$'000
At 30 June		
Total non-current assets	–	–
Total current assets	34,114	52,847
Total current liabilities	(25,603)	(787)
Total non-current liabilities	–	–
Net assets	8,511	52,060
Proportion of effective interest held by the Group	49%	49%
Group's share of net assets of associates	4,170	25,509
For the year ended 30 June		
Revenue	764	98
(Loss)/profit from operations	(2,911)	2,105
Other comprehensive income	5,105	(178)
Total comprehensive income for the year	2,194	1,927
Share of results of associates	(1,426)	1,031
Share of other comprehensive income of associates	2,501	(87)
Dividends receivable from associates	22,414	–

Ocean Pride Group

During the year, the recoverable amount of the Ocean Pride Group was determined by the directors of the Company based on value-in-use calculations with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection based on the financial budgets approved by management covering a five-year period. The cash flow beyond the five-year period are extrapolated using a steady growth rate of 3% (2020: 3%), which is based on the relevant industry growth rate and does not exceed the average long-term growth rate for the business in which the associate operate. The pre-tax discount rate adopted in the calculation is 15.88% (2020: 14.66%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

21. INTERESTS IN ASSOCIATES (continued)

Ocean Pride Group (continued)

As at 30 June 2021, the carrying amount of the Ocean Pride Group, before impairment, approximate its recoverable amount based on the above assessment. Accordingly, no impairment loss on interests in associates is recognised in profit or loss.

As at 30 June 2020, the carrying amount of the Ocean Pride Group, before impairment, is higher than its recoverable amount based on the above assessment. Accordingly, impairment loss on interests in associates of HK\$4,992,000 was recognised in profit or loss.

Summarised financial information in relation to the Ocean Pride Group is presented below:

	2021 HK\$'000	2020 HK\$'000
At 30 June		
Total non-current assets	40,727	51,331
Total current assets	75,950	52,474
Total current liabilities	(65,079)	(48,487)
Total non-current liabilities	(7,886)	(10,515)
Net assets	43,712	44,803
Proportion of effective interest held by the Group	17%	17%
Group's share of net assets of associates	7,430	7,616
For the year ended 30 June		
Revenue	130,958	106,084
Loss from operations	(2,262)	(7,758)
Other comprehensive income	1,171	(585)
Total comprehensive income for the year	(1,091)	(8,343)
Share of results of associates	(385)	(1,319)
Share of other comprehensive income of associates	199	(100)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

22. INTERESTS IN JOINT VENTURES

	2021 HK\$'000	2020 HK\$'000
Share of net assets	24,267	12,379

Particulars of the Group's joint ventures as at 30 June 2021 are as follows:

Name of joint venture	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
Venture Max Limited	BVI	10% (direct)	Investment holding
Mongolian Copper Mining LLC	Mongolia	10% (indirect)	Mining business (not yet commenced)

The Group has joint control over the arrangements as unanimous consent is required from all parties to the arrangements for the relevant activities of the aforesaid companies. The contractual arrangement in relation to the aforesaid companies provide the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for the liabilities of the joint arrangements resting primarily with these companies.

The financial statements of the above companies are not audited by BDO Limited or any of its member firms.

During the year, the recoverable amount of the Group's joint ventures was determined by the directors of the Company based on fair-value-less-costs-of-disposal basis with reference to a professional valuation performed by Peak Vision. The calculation used cash flow projection for a period of 17 years, discounted by the post-tax discount rate of 22.79% (2020: 23.02%). In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the commodity market are taken as reference.

As at 30 June 2021, the carrying amount of the Group's joint ventures, before impairment, approximate its recoverable amount based on the above assessment. Accordingly, no impairment loss on interests in joint ventures (2020: HK\$Nil) was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

22. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information in relation to the joint ventures is presented below:

	2021 HK\$'000	2020 HK\$'000
At 30 June		
Total non-current assets	264,821	145,794
Cash and cash equivalents	5	558
Other current assets	154	205
Total current assets	159	763
Total current liabilities	(12,431)	(12,907)
Total non-current liabilities	(9,880)	(9,862)
Net assets	242,669	123,788
Reconciliation to the Group's interests in joint ventures:		
Proportion of effective interest held by the Group	10%	10%
Group's share of net assets of the joint ventures	24,267	12,379
For the year ended 30 June		
Exploration expenses	(34)	(740)
Reversal of/(impairment loss) on mining right	119,027	(39,660)
Other expenses	(71)	(77)
Profit/(loss) for the year	118,922	(40,477)
Other comprehensive income	(41)	200
Total comprehensive income for the year	118,881	(40,277)
Share of results of joint ventures	11,892	(4,048)
Share of other comprehensive income of joint ventures	(4)	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

23. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	16,483	11,330
Work in progress	1,275	2,309
Finished goods	28,835	9,715
	46,593	23,354

During the year ended 30 June 2021, a reversal of write-down of inventories amounting to HK\$629,000 (2020: HK\$267,000) is recorded in cost of sales as presented in the consolidated statement of profit or loss.

24. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Trade debtors, net	84,612	56,514
Loans receivable, net	146,123	148,300
Prepayments	3,446	6,368
Deposits and other receivables, net	49,812	30,863
VAT recoverable	7,865	11,347
	291,858	253,392
Less: Amount shown under non-current assets	(9,697)	(11,614)
Amount shown under current assets	282,161	241,778

- (i) The Group usually grants credit period ranging from 30 to 60 days (2020: 30 to 60 days) to its trade customers.
- (ii) The aging analysis of net trade debtors, based on invoice date, as of the end of the reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	37,240	27,401
31–60 days	27,325	12,549
61–90 days	14,020	10,130
Over 90 days	6,027	6,434
	84,612	56,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

24. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

- (iii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	2021 HK\$'000	2020 HK\$'000
At beginning of year	2,259	1,777
Expected credit loss recognised during the year, net	20	608
Disposal of subsidiaries	(7)	–
Exchange realignment	175	(126)
At end of year	2,447	2,259

As at 30 June 2021, the Group's trade debtors of HK\$2,447,000 (2020: HK\$2,259,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

- (iv) The aging analysis of net trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2021 HK\$'000	2020 HK\$'000
Neither past due nor impaired	70,540	45,332
Past due 1–30 days	12,691	8,982
Past due 31–90 days	1,197	1,897
Past due more than 90 days	184	303
	84,612	56,514

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

24. DEBTORS, OTHER LOANS AND RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(v) As at 30 June 2021, included in debtors, other loans and receivables, deposits and prepayments mainly consisted of:

(a) Other loans receivable from seven (2020: ten) independent third parties with aggregate principal amount of HK\$138,457,000 (2020: HK\$135,935,000) and related interest receivables of HK\$11,897,000 (2020: HK\$13,752,000).

These loan receivables were unsecured, interest-bearing at rates ranged from 5% to 13% (2020: 5.5% to 13%) per annum and repayable within twelve months from the end of reporting period.

The directors of the Company are of the opinion that, after taking into account the past payment history, impairment loss on the loans receivable of HK\$4,231,000 (2020: HK\$1,387,000) was made at the end of the reporting period.

(b) Amounts due from financial institutions amounting to HK\$2,151,000 (2020: HK\$2,056,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

(c) An amount due from a non-controlling equity owner of a subsidiary amounted to HK\$3,334,000 (2020: HK\$4,733,000). The balance are secured by the shares of the subsidiary, interest-free and has no fixed terms of repayment.

(d) An amount due from a joint venture amounted to HK\$10,479,000 (2020: HK\$15,537,000). As at 31 June 2021, the balance is secured by the shares of the joint venture, interest-free and of HK\$9,697,000 is expected to be recovered after more than twelve months and of HK\$782,000 is expected to be recovered in the coming twelve months. As at 30 June 2020, the balance is secured by the shares of the joint venture, interest-free and will be fully repaid on 31 October 2022.

(e) An amount due from an associate amounted to HK\$22,414,000 (2020: HK\$ Nil). The balance is unsecured, interest-free and has no fixed terms of repayment.

(vi) The below table reconciled the impairment loss of other loans and receivables for the year:

	2021 HK\$'000	2020 HK\$'000
At beginning of year	17,590	30,840
Expected credit loss recognised/(reversed) during the year, net	11,680	(12,286)
Disposal of subsidiaries	(46)	–
Exchange realignment	1,468	(964)
At end of year	30,692	17,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

25. BILLS RECEIVABLE

Bills receivable generally have credit terms ranging from 3 to 6 months. No bills receivables as at 30 June 2021 and 2020 are past due.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Equity securities held for trading and listed in Hong Kong	5,091	8,768

Fair values of the listed equity securities are determined based on the quoted market prices in an active market. During the year ended 30 June 2021, a fair value gain of HK\$1,823,000 (2020: a fair value loss of HK\$6,304,000) and a gain on disposal of HK\$1,451,000 (2020: a loss on disposal of HK\$4,546,000) are recognised in profit or loss.

27. DERIVATIVE FINANCIAL LIABILITIES

Derivative not qualified for hedging

	2021 HK\$'000	2020 HK\$'000
Copper futures contracts	580	–

The major terms of the outstanding copper futures contracts of the Group which has not been designated as hedging instruments were as follows:

	As at 30 June 2021
Quantities (in tonnes)	150
Average price per tonne	US\$9,371
Delivery period	From August 2021 To September 2021
Fair value loss of copper futures contracts recognised as current liabilities (in HK\$'000)	(580)

The net decrease in fair value of derivative financial instruments amounting to HK\$507,000 (2020: HK\$134,000) has been recognised in profit or loss during the year.

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FOR THE YEAR ENDED 30 JUNE 2021

28. PLEDGE OF ASSETS

As at 30 June 2021, save as disclosed elsewhere in these financial statements, the Group has pledged the following assets to secure general banking facilities and other loans granted to the Group. The carrying amounts of these assets are analysed as follows:

	Note	2021 HK\$'000	2020 HK\$'000
Investment properties	16	364,263	310,456
Pledged bank deposits		72,150	2,191
		436,413	312,647

29. BANK BALANCES AND CASH AND BANK BALANCES HELD ON BEHALF OF BROKERAGE CLIENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2021 HK\$'000	2020 HK\$'000
Bank balances and cash and bank balances held on behalf of brokerage clients were denominated in the following currencies:		
RMB	51,200	57,282
HK\$	11,619	4,804
U.S. Dollars	3,712	1,318
EURO	40	169
Mongolian Tughrik	382	89
	66,953	63,662

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

In respect of the Group's business of securities brokerage, the Group maintains segregated trust accounts and bank time deposits with authorised institutions to hold clients' monies. The Group has classified clients' monies separately under current assets in the consolidated statement of financial position and has recognised the corresponding trade creditors of HK\$Nil (2020: HK\$Nil) to respective clients as included in the trade creditors in Note 30 on the ground that it is liable for any loss or misappropriation of clients' monies and does not have a currently enforceable right to offset those payables with the deposits placed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

30. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

	2021 HK\$'000	2020 HK\$'000
Trade creditors	84,702	40,056
Contract liabilities (Note (i))	4,945	1,418
Other payables and accruals	86,923	52,921
Rental received in advance	27,571	6,578
	204,141	100,973
Less: Amount shown under non-current liabilities		
Other payables	(22,723)	(7,991)
Rental received in advance	(27,270)	(6,578)
	(49,993)	(14,569)
Amount shown under current liabilities	154,148	86,404

Aging analysis of trade creditors, based on invoice date or the date of recognition, is as follows:

	2021 HK\$'000	2020 HK\$'000
0–30 days	43,524	21,525
31–60 days	19,037	7,670
61–90 days	8,841	4,040
Over 90 days	13,300	6,821
	84,702	40,056

Note (i): Contract liabilities primarily relate to the advances received from customers for sale of goods. The advances remain as contract liabilities until they are recognised as revenue when control of goods is transferred to the customers. Typical payment terms which impact on the amount of contract liabilities are set out in Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

30. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES (continued)

Changes in the contract liabilities balances during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
At the beginning of year	1,418	1,577
Cash received	4,913	1,475
Recognised as revenue	(1,418)	(1,577)
Exchange realignment	32	(57)
At the end of year	4,945	1,418

HK\$1,418,000 of the contract liabilities as at 1 July 2020 were recognised as revenue for the year ended 30 June 2021 from performance obligations satisfied during the year.

The contract liabilities as at 30 June 2021 were expected to be recognised as revenue in the next 12 months. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contract which has an original expected duration of one year or less is not disclosed.

31. BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Current:		
Bank loans, secured	190,236	101,294
Other loans, secured	50,000	4,050
	240,236	105,344
Non-current:		
Bank loans, secured	20,443	19,294
Other loans, secured	–	50,000
	20,443	69,294

The effective interest rates for the bank loans ranged from 1.5% to 7.6% (2020: 6.53% to 7.6%) per annum. The average effective interest rate for other loans is 11.5% (2020: 10% to 11.5%) per annum.

All borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

31. BORROWINGS (continued)

The Group's bank loans are secured by the pledge of certain investment properties and bank deposits amounting to HK\$313,363,000 (2020: HK\$262,356,000) and HK\$72,150,000 (2020: HK\$2,191,000) respectively; corporate guarantees from the Company and its certain subsidiaries; and personal guarantee executed by the Directors of the Group, Mr. Chau Lai Him and Mr. Chau Chi Ho. The other loans are secured by the pledge of certain investment properties amounting to HK\$50,900,000 (2020: HK\$48,100,000) and corporate guarantees from the Company.

At 30 June 2021, total current and non-current bank loans were scheduled to repay as follows:

	2021 HK\$'000	2020 HK\$'000
On demand or within one year	190,236	101,294
More than one year, but not exceeding two years	1,203	658
More than two years, but not exceeding five years	19,240	18,636
	210,679	120,588

At 30 June 2021, total current and non-current other loans were scheduled to repay as follows:

	2021 HK\$'000	2020 HK\$'000
On demand or within one year	50,000	4,050
More than one year, but not exceeding two years	–	50,000
	50,000	54,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

32. PROMISSORY NOTES

On 30 April 2020, the Company issued promissory note with principal amount of HK\$15,000,000 as the consideration to acquire 17% equity interest of Ocean Pride Ventures Limited. The promissory note was unsecured, bear interest at 6% per annum and matured at 30 April 2021. During the year, the maturity date was extended to 29 November 2021.

The promissory notes are initially recognised at their fair values at the dates of issue and subsequently measured at amortised cost using the effective interest method.

The movements of the promissory notes during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 July	8,251	14,004
Imputed interest	709	797
Redemption	–	(7,000)
Interest paid	–	(81)
Loss on early redemption	–	531
At 30 June	8,960	8,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

33. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and their movements:

	Investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Properties HK\$'000	Total HK\$'000
At 1 July 2019	29,491	2,351	21,733	53,575
Charged/(credited) to profit or loss (Note 11)	1,019	(2,309)	(191)	(1,481)
Charged to other comprehensive income	–	–	19,141	19,141
Exchange realignment	(1,104)	(42)	(997)	(2,143)
At 30 June 2020 and 1 July 2021	29,406	–	39,686	69,092
Charged to profit or loss (Note 11)	20,779	–	–	20,779
Disposal of subsidiaries (Note 34)	(4,049)	–	(4,744)	(8,793)
Exchange realignment	3,329	–	3,783	7,112
At 30 June 2021	49,465	–	38,725	88,190

As at 30 June 2021, the Group has unused tax losses of HK\$244,452,000 (2020: HK\$249,149,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses of HK\$219,404,000 (2020: HK\$221,029,000) may be carried forward indefinitely and the remaining amount would expire in five years from the respective dates of incurrence.

As at 30 June 2021 and 2020, the Group's subsidiaries established in the PRC have no unremitted earnings that are subject to withholding taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

34. DISPOSAL OF SUBSIDIARIES

- (a) On 24 November 2020, the Group, through a wholly-owned subsidiary, entered into an agreement with Dongguan Taizhou Industrial Investment Co., Ltd., an independent third party, to dispose of the entire issued share capital in a subsidiary, Dongguan Xin Bao Fine Chemical Co., Ltd. (the “Disposal DGXB”), at the consideration of HK\$44,460,000 in cash. The Disposal DGXB is principally engaged in property holding in the PRC.

During the year, the disposal of equity interest in the Disposal DGXB was completed.

Details of the assets and liabilities of the Disposal DGXB at the date of disposal are:

	HK\$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	91
Investment properties	53,110
Debtors, other loans and receivables, deposits, and prepayments	6,918
Bank balances and cash	1,329
Creditors, other advances and accrued charges	(990)
Deferred tax liabilities	(8,793)
Non-controlling interests	(5,363)
Net assets disposed of	46,302
Cumulative exchange differences in respect of the net assets of the Disposal DGXB reclassified from equity to profit or loss on loss of control of the Disposal DGXB	3,061
Loss on disposal	(4,903)
Total consideration	44,460
Net cash inflow arising on disposal:	
Cash consideration (Note)	44,460
Less: Cash and bank balances disposed of	(1,329)
Net cash inflows	43,131

Note: During the year ended 30 June 2021, the consideration of HK\$44,460,000 was received by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

34. DISPOSAL OF SUBSIDIARIES (continued)

- (b) During the year, the Group also disposed of its 51% equity interest in a subsidiary Dongguan Youpin Business Development Company Limited and its subsidiary at a cash consideration of HK\$1, to the existing 49% equity owner (the “Disposal DGYP”). The Disposal DGYP is dormant in current and prior years.

On 6 January 2021, the disposal of equity interest in the Disposal DGYP was completed. Cumulative exchange differences in respect of the net assets of the Disposal DGYP reclassified from equity to profit or loss on loss of control of the Disposal DGYP of HK\$362,000 and gain on disposal of HK\$247,000 is recognised in the profit or loss.

Net cash outflow arising on the disposal of the Disposal DGYP was HK\$6,000.

35. SHARE CAPITAL

	Number of shares		Nominal value	
	2021 '000	2020 '000	2021 HK\$'000	2020 HK\$'000
Authorised: Ordinary shares of HK\$0.01 each: At beginning and end of the year	50,000,000	50,000,000	500,000	500,000
Issued and fully paid: At beginning and end of the year	2,374,532	2,374,532	23,745	23,745

36. SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a new share option scheme (the “Scheme”) for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries or associated companies or such persons who from time to time are determined by the board of directors (the “Board”) at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the “Participants”), to strive for future developments and expansion of the Group. The Scheme will end on 17 December 2022.

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 237,453,234 shares, which was approved at the annual general meeting held on 6 December 2019, representing 10% of the issued share capital as at 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

36. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the scheme during the year:

	Weighted average exercise price 2021 HK\$	Number 2021	Weighted average exercise price 2020 HK\$	Number 2020
Outstanding at 1 July	0.106	192,020,000	0.108	162,260,000
Granted during the year	–	–	0.100	53,800,000
Lapsed during the year	0.108	(138,220,000)	0.108	(24,040,000)
Outstanding at 30 June	0.100	53,800,000	0.106	192,020,000

During the year ended 30 June 2020, the weighted average fair value of each option granted was HK\$0.0282. The following information is relevant in the determination of the fair value of options granted under the Scheme operated by the Company.

	2020
Option pricing model used	Binomial lattice
Weighted average share price at grant date	0.061
Exercise price	0.100
Weighted average contractual life	2 years
Expected volatility	110%
Expected dividend rate	0%
Risk-free interest rate	1.53%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on the daily share price on the grant date of the share options.

No share options were granted during the year ended 30 June 2021 (2020: 53,800,000). No equity-settled share-based payment was recognised in profit or loss accordingly (2020: HK\$1,518,000). All outstanding share options were vested and exercisable with the exercise price of HK\$0.100. During the year ended 30 June 2021, 138,220,000 share options were lapsed. As at 30 June 2021, the Company had 53,800,000 share options outstanding under the Scheme (2020: 192,020,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Interests in subsidiaries		621,160	631,881
Right-of-use assets		3,174	2,449
Total non-current assets		624,334	634,330
Current assets			
Deposits and prepayments		1,051	1,106
Bank balances and cash		2,335	2,201
Total current assets		3,386	3,307
Current liabilities			
Other advances and accrued charges		1,518	1,508
Lease liabilities		1,886	2,894
Promissory notes		8,960	8,251
Total current liabilities		12,364	12,653
Net current liabilities		(8,978)	(9,346)
Total assets less current liabilities		615,356	624,984
Non-current liabilities			
Lease liabilities		1,316	–
Total non-current liabilities		1,316	–
Total net assets		614,040	624,984
EQUITY			
Capital and reserves			
Share capital	35	23,745	23,745
Reserves	38	590,295	601,239
Total equity		614,040	624,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

38. RESERVES OF THE COMPANY

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Share option reserve HK\$'000	Total HK\$'000
At 1 July 2019	1,828,432	763,907	(1,940,633)	8,414	660,120
Loss and total comprehensive income for the year	–	–	(60,399)	–	(60,399)
Share-based payment by granting share options	–	–	–	1,518	1,518
Lapse of share options	–	–	1,198	(1,198)	–
At 30 June 2020 and 1 July 2020	1,828,432	763,907	(1,999,834)	8,734	601,239
Loss and total comprehensive income for the year	–	–	(10,944)	–	(10,944)
Lapse of share options	–	–	7,216	(7,216)	–
At 30 June 2021	1,828,432	763,907	(2,003,562)	1,518	590,295

39. NON-CONTROLLING INTERESTS

During the year ended 30 June 2021, Xin Bao, a 89.62%-owned subsidiary, has material non-controlling interests (“NCI”). The NCI of all other subsidiaries that are not wholly-owned by the Group are considered to be immaterial.

Upon the disposal of Xin Bao during the current year as set out in Note 34, Zhou’s Marble, a 80%-owned subsidiary of the Company, became the most significant NCI of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

39. NON-CONTROLLING INTERESTS (continued)

Summarised financial information in relation to the NCIs of Xin Bao and Zhou's Marble in the respective years, before intra-group eliminations, is presented below:

2021

	Xin Bao HK\$'000	Zhou's Marble HK\$'000
STATEMENT OF FINANCIAL POSITION		
Current assets	–	13,075
Non-current assets	–	87,073
Current liabilities	–	(84,294)
Non-current liabilities	–	(26,115)
Net liabilities	–	(10,261)
Accumulated NCI	–	(2,052)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	911	–
Profit/(loss) and total comprehensive income for the year	127,922	(6,050)
Profit/(loss) allocated to NCI	13,443	(1,100)
Cash flows used in operating activities	(1,339)	(482)
Cash flows used in investing activities	–	(125)
Cash flows generated from financing activities	2,596	601
Net cash inflows	1,257	6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

39. NON-CONTROLLING INTERESTS (continued)

2020

	Xin Bao HK\$'000
STATEMENT OF FINANCIAL POSITION	
Current assets	6,836
Non-current assets	48,242
Current liabilities	(123,440)
Non-current liabilities	(7,895)
Net liabilities	(76,257)
Accumulated NCI	(7,915)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
Revenue	1,681
Profit and total comprehensive income for the year	2,179
Loss allocated to NCI	(72)
Cash flows generated from operating activities	1,397
Cash flows used in financing activities	(1,356)
Net cash inflows	41

40. CAPITAL COMMITMENTS

	2021 HK\$'000	2020 HK\$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of construction of:		
Buildings	228,244	337,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

41. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

The employees of the subsidiaries of the Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in profit or loss of HK\$3,312,000 (2020: HK\$2,857,000) represent contributions paid/payable to these schemes by the Group in the year. As at 30 June 2021, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2020: Nil).

42. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in these financial statements, the Group did not have other material transactions with related parties.

Members of key management personnel of the Group during the year comprised only of the directors whose remuneration is set out in Note 9.

43. CAPITAL RISK MANAGEMENT

The Group’s objective of managing capital is to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

Capital structure of the Group comprises equity plus debts raised by the Group, including borrowings and promissory notes, net with bank balances and cash. The Group’s management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debts. No change was made in the objectives, policies or processes for managing capital during the year ended 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

43. CAPITAL RISK MANAGEMENT (continued)

The net debt to equity ratio at the end of reporting period was as follows:

	2021 HK\$'000	2020 HK\$'000
Debts	269,639	182,889
Less: bank balances and cash	(66,953)	(63,662)
Net debts	202,686	119,227
Total equity	1,198,550	1,008,866
Net debt to equity ratio	16.9%	11.8%

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORIES

The carrying amounts of the Group's financial assets and liabilities as recognised at 30 June 2021 and 2020 are analysed into the following categories.

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Financial assets at amortised cost		
– Debtors, other loans and receivables and deposits	280,547	235,677
– Bills receivable	1,189	20
– Pledged bank deposits	72,150	2,191
– Bank balances and cash	66,953	63,662
Financial assets at FVTPL		
– Equity investments	5,091	8,768
Financial liabilities		
Financial liabilities at amortised cost		
– Creditors, other advances and accrued charges	171,625	92,977
– Lease liabilities	3,202	2,894
– Borrowings	260,679	174,638
– Promissory notes	8,960	8,251
Financial liabilities at FVTPL		
– Derivative financial liabilities	580	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

45. LITIGATION

During the year ended 30 June 2020, a subsidiary of the Company (the “**Subsidiary**”) entered into a service agreement with a constructor (the “**Constructor**”) in connection with the development of an industrial complex in Dongguan, the PRC.

During the year ended 30 June 2020, the Subsidiary resolved to suspend the development and accordingly terminated the service agreement without the consent of the Constructor. The Constructor took legal action against the Subsidiary to Dongguan Third Primary People’s Court (the “**Court**”) for an aggregate compensation of RMB14,000,000 for the breach of the service agreement by the Subsidiary. On 20 March 2020, according to the first court judgement (“**First Judgement**”), the Subsidiary is liable for the payment of RMB14,000,000 to the Constructor. On 6 May 2020, the Subsidiary lodged an objection to Dongguan Intermediate People’s Court to appeal against the First Judgement (the “**First Appeal**”).

In October 2020, the Subsidiary was informed by its legal counsel that the First Appeal was rejected by Dongguan Intermediate People’s Court (the “**Second Judgement**”). On 27 October 2020, the Subsidiary lodged another objection to High People’s Court of Guangdong Province to appeal against the Second Judgement (the “**Second Appeal**”). On 4 December 2020, the Second Appeal was rejected by High People’s Court of Guangdong Province (the “**Third Judgement**”).

On 4 December 2020, the Court issued a notice to the Subsidiary that the First Judgement shall be executed immediately upon the receipt of the notice by the Subsidiary. Accordingly, the Subsidiary made a full settlement of approximately RMB14,633,000, (equivalent to approximately HK\$17,162,000) comprised of the compensation of RMB14,000,000 and late interest of RMB633,000. Subsequent to the settlement made, the Court issued a notification of case closure to the Subsidiary on 23 June 2021.

Details of movements of the provision for litigation are as follows:

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	15,348	–
Additions	–	15,514
Under-provision of interest on compensation	743	–
Settlement	(17,162)	–
Exchange realignment	1,071	(166)
At the end of the year	–	15,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

46. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the year, the Group acquired further 49% equity interest in China Co-Op International Trading Company Limited (“**China Co-Op**”) at a consideration of HK\$490 which was satisfied by payment of cash, pursuant to which China Co-Op became a wholly-owned subsidiary of the Group. Upon the acquisition, the difference approximately of HK\$55,000 between the proportionate share of the carrying amount of its net assets and the capital injection for an additional interest has been debited to accumulated losses.

47. NOVEL CORONAVIRUS OUTBREAK

Since January 2020, the outbreak of Novel Coronavirus (“**COVID-19**”) has impact on the business environment in the PRC and Hong Kong. Up to the date of this report, COVID-19 has not resulted in material impact to operating activities or financial performance and financial position of the Group. The manufacturing and trading business and leasing activities are almost operating normally during the pandemic and manufacturing activities has been fully resumed in March 2020. However, as COVID-19 continue to evolve, depending on the subsequent development and spread of COVID-19, it may have significant impact to the Group. The Group will continue to pay close attention to the development of COVID-19 and evaluate its impact arising.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

48. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Interest payable on borrowings# HK\$'000	Borrowings HK\$'000	Promissory notes HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 July 2020	–	174,638	8,251	2,894	185,783
Changes from cash flows:					
Proceeds from new bank loans	–	184,825	–	–	184,825
Repayment of bank loans	–	(108,362)	–	–	(108,362)
Repayment of other loans	–	(4,050)	–	–	(4,050)
Interest element of lease rentals paid	–	–	–	(123)	(123)
Capital element of lease rentals paid	–	–	–	(2,596)	(2,596)
Interest paid	(15,043)	–	–	–	(15,043)
Total changes from financing cash flows:	(15,043)	72,413	–	(2,719)	54,651
Exchange differences	–	13,628	–	–	13,628
Other changes:					
Imputed interest on promissory notes	–	–	709	–	709
Interest expenses	15,043	–	–	123	15,166
Modification of leases	–	–	–	(904)	(904)
New leases	–	–	–	3,808	3,808
Total other changes	15,043	–	709	3,027	18,779
At 30 June 2021	–	260,679	8,960	3,202	272,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

48. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Interest payable on borrowings# HK\$'000	Borrowings HK\$'000	Promissory notes HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 July 2019	–	158,090	14,004	5,188	177,282
Changes from cash flows:					
Proceeds from new bank loans	–	121,897	–	–	121,897
Repayment of bank loans	–	(105,275)	–	–	(105,275)
Proceeds from other loans	–	10,000	–	–	10,000
Repayment of other loans	–	(5,950)	–	–	(5,950)
Interest element of lease rentals paid	–	–	–	(212)	(212)
Capital element of lease rentals paid	–	–	–	(2,294)	(2,294)
Interest paid	(14,901)	–	–	–	(14,901)
Total changes from financing cash flows:	(14,901)	20,672	–	(2,506)	3,265
Non-cash changes:					
Redemption of promissory notes (Note (i))	–	–	(7,081)	–	(7,081)
Total non-cash changes:	–	–	(7,081)	–	(7,081)
Exchange differences	–	(4,124)	–	–	(4,124)
Other changes:					
Imputed interest on promissory notes	–	–	797	–	797
Loss on early redemption of promissory notes	–	–	531	–	531
Interest expenses	14,901	–	–	212	15,113
Total other changes	14,901	–	1,328	212	16,441
At 30 June 2020	–	174,638	8,251	2,894	185,783

Note (i): During the year ended 30 June 2020, part of financial assets at fair value through profit or loss of HK\$11,627,000 was used to redeem part of promissory notes with principal amount HK\$7,000,000 and interest HK\$81,000.

Interest payable on borrowings is included in creditors, other advances and accrued charges as presented in the consolidated statement of financial position.

PARTICULARS OF PROPERTIES

Properties held for investment	Type	Lease term
A factory complex erected on a parcel of land located at Qiaozi Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located at Butian, Tangjiao District, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
Workshop 7 on 2nd Floor and Car Park No. L5 on 1st Floor Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong	Industrial	Medium
A factory complex erected on a parcel of land known as Lot No. Zhujiajiao Town 3-1 Qiu, located at No. 6118 of Huqingping Highway, Zhujiajiao Town, Qingpu District, Shanghai, the PRC	Industrial	Medium
A factory complex erected on a parcel of land located in Beihuan Road, Changping Town, Dongguan City Guangdong Province, the PRC	Industrial	Medium
A factory complex erected on a parcel of land known as Lot No. 1924130100056 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium
Stone Industry Base located at the eastern side of K17 Lingtang of Provincial Highway S287, Tangpeng Town, Lianjiang City, Guangdong Province, the PRC	Industrial	Medium

FINANCIAL SUMMARY

RESULTS

The Group

	Year ended 30 June 2021 HK\$'000	Year ended 30 June 2020 HK\$'000	Year ended 30 June 2019 HK\$'000	Year ended 30 June 2018 HK\$'000	Year ended 30 June 2017 HK\$'000
Revenue	433,049	288,271	317,134	395,380	442,522
Profit/(loss) before taxation	188,631	(144,830)	(297,291)	(80,307)	(71,743)
Taxation	(20,779)	1,111	(5,545)	(5,368)	(7,166)
Profit/(loss) for the year	167,852	(143,719)	(302,836)	(85,675)	(78,909)
Profit/(loss) attributable to:					
Owners of the Company	156,346	(142,259)	(301,963)	(85,639)	(70,197)
Non-controlling interests	11,506	(1,460)	(873)	(36)	(8,712)
	167,852	(143,719)	(302,836)	(85,675)	(78,909)

Assets and liabilities

	At 30 June 2021 HK\$'000	At 30 June 2020 HK\$'000	At 30 June 2019 HK\$'000	At 30 June 2018 HK\$'000	At 30 June 2017 HK\$'000
Total assets	1,764,302	1,380,109	1,401,161	1,654,087	1,728,442
Total liabilities	(565,752)	(371,243)	(287,140)	(254,059)	(258,582)
	1,198,550	1,008,866	1,114,021	1,400,028	1,469,860
Attributable to:					
Owners of the Company	1,200,263	1,017,371	1,122,244	1,408,706	1,478,244
Non-controlling interests	(1,713)	(8,505)	(8,223)	(8,678)	(8,384)
	1,198,550	1,008,866	1,114,021	1,400,028	1,469,860