德泰新能源集團有限公司
DeTai New Energy Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 559)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

RESULTS

The board (the "Board") of directors (the "Director(s)") of DeTai New Energy Group Limited (the "Company") hereby announces the audited annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2020, together with comparative figures from the previous corresponding year, summarised as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	3		
Services income		**31,479**	33,226
Interest income		**12,901**	22,332
Trading income		**4,542**	7,323
		48,922	62,881
Cost of sales		**(20,735)**	(22,299)
Gross profit		**28,187**	40,582
Other income and gains	4	**15,772**	7,674
Selling and distribution expenses		**(1,679)**	(2,081)
General and administrative expenses		**(66,698)**	(84,540)
Finance costs	6	**(2,121)**	(1,240)
Share of loss of associates	13	**(2,611)**	–
Impairment loss on intangible assets		**–**	(6,569)
Impairment loss on goodwill	12	**(56,984)**	–
Impairment loss of loans receivable	14	**(18,734)**	(127,148)
(Impairment loss)/reversal of impairment loss on other receivables and deposits		**(4,767)**	298
Impairment loss on property, plant and equipment	10	**(74,286)**	(2,390)
Change in fair value of investment properties	11	**(1,261)**	1,614
Gain on disposal of subsidiaries	22	**8,512**	880
Loss before income tax	5	**(176,670)**	(172,920)
Income tax credit	7	**9,101**	3,988
Loss for the year		**(167,569)**	(168,932)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
For the year ended 30 June 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**(1,535)**	7,713
Release of exchange reserve upon disposal of subsidiaries		**(3,910)**	–
Other comprehensive income for the year		**(5,445)**	7,713
Total comprehensive income for the year		**(173,014)**	(161,219)
Loss for the year attributable to:			
Owners of the Company		**(163,520)**	(154,992)
Non-controlling interests		**(4,049)**	(13,940)
		(167,569)	(168,932)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(169,401)**	(147,454)
Non-controlling interests		**(3,613)**	(13,765)
		(173,014)	(161,219)
Loss per share to owners of the Company:			
— Basic	9	**HK(1.04) cents**	HK(0.99) cent
— Diluted		**HK(1.04) cents**	HK(0.99) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**409,886**	487,804
Investment properties	*11*	**19,400**	–
Intangible assets		**–**	–
Goodwill	*12*	**–**	57,150
Interests in associates	*13*	**12,989**	–
Financial assets at fair value through profit or loss	*16*	**58,769**	110,015
Loans receivable	*14*	**1,423**	–
Total non-current assets		**502,467**	654,969
Current assets			
Inventories		**46,668**	50,888
Trade receivables, other receivables, deposits and prepayments	*15*	**90,226**	28,523
Loans receivable	*14*	**52,414**	92,349
Amount due from non-controlling interests	*21*	**–**	29,369
Financial assets at fair value through profit or loss	*16*	**10,000**	20,000
Pledged bank balances		**6,138**	1,872
Bank balances and cash		**354,041**	302,424
		559,487	525,425
Assets of a disposal group held for sale		**–**	91,555
Total current assets		**559,487**	616,980
Current liabilities			
Trade payables, other payables and accruals	*17*	**14,248**	17,563
Contract liabilities		**2,275**	2,794
Borrowings	*18*	**20,659**	10,766
Lease liabilities		**2,708**	–
Amount due to non-controlling interests	*19*	**43,661**	70,275
Tax payable		**2,618**	2,618
		86,169	104,016
Liabilities of a disposal group held for sale		**–**	402
Total current liabilities		**86,169**	104,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Net current assets		**473,318**	512,562
Total assets less current liabilities		**975,785**	1,167,531
Non-current liabilities			
Borrowings	*18*	**120,012**	128,961
Lease liabilities		**1,418**	–
Deferred tax liabilities		**62,609**	71,928
Total non-current liabilities		**184,039**	200,889
Net assets		**791,746**	966,642
EQUITY			
Share capital	*20*	**784,776**	784,776
Reserves		**53,147**	256,987
Equity attributable to owners of the Company		**837,923**	1,041,763
Non-controlling interests		**(46,177)**	(75,121)
Total equity		**791,746**	966,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

DeTai New Energy Group Limited (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 Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business was Room 2702, 27/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are principally engaged in the business of (i) hotel hospitality business; (ii) provision of money lending services; (iii) new energy business; (iv) trading and distribution of liquor and wine; and (v) investments in funds.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 July 2019:

HKFRS 16	Leases
HK(IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Changes in Accounting Policies

This is the first set of the Group's financial statements in which HKFRS 16 has been adopted. The impact of the adoption of HKFRS 16 has been summarised below. The other new or amended HKFRSs that are effective from 1 July 2019 did not have any material impact on the Group's accounting policies.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs *(Continued)*

Changes in Accounting Policies *(Continued)*

HKFRS 16 Lease ("HKFRS 16")

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Interpretation 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Interpretation 15 Operating Leases-Incentives and HK(SIC)-Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of the adoption of HKFRS 16 on the Group's consolidated statement of financial position as at 1 July 2019 as follows (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 July 2019	
Right-of-use assets presented in property, plant and equipment	1,684
Lease liabilities (non-current)	2,891
Lease liabilities (current)	1,842
Total lease liabilities	4,733
Accumulated losses	2,227
Non-controlling interests	(822)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs *(Continued)*

Changes in Accounting Policies *(Continued)*

HKFRS 16 Lease ("HKFRS 16") (Continued)

(i) Impact of the adoption of HKFRS 16 *(Continued)*

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

	HK$'000
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	4,560
Less: Impairment loss recognised upon application of HKFRS 16	(2,876)
Right-of-use assets as at 1 July 2019	1,684

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 July 2019:

Reconciliation of operating lease commitment to lease liabilities

	HK$'000
Operating lease commitment as of 30 June 2019	5,980
Less: short term leases for which lease terms end within 30 June 2020	(964)
Less: future interest expenses	(283)
Total lease liabilities as of 1 July 2019	4,733

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 July 2019 is 4.33%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs *(Continued)*

Changes in Accounting Policies *(Continued)*

HKFRS 16 Lease ("HKFRS 16") (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices 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.

The Group recognised right-of-use assets and lease liabilities at the commencement date of a lease.

Right-of-use assets

The right-of-use assets 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. The Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. 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 assets arising from the properties under tenancy agreements are carried at depreciated cost.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs *(Continued)*

Changes in Accounting Policies *(Continued)*

HKFRS 16 Lease ("HKFRS 16") (Continued)

(iii) Accounting as a lessee *(Continued)*

Lease liabilities

The lease liabilities should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be 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 shall use 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.

Subsequent to the commencement date, a lessee shall measure 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.

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 July 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 July 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

2. **ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")** *(Continued)*

(a) **Adoption of new/revised HKFRSs** *(Continued)*

Changes in Accounting Policies *(Continued)*

HKFRS 16 Lease ("HKFRS 16") (Continued)

(v) Transition *(Continued)*

The Group has elected to recognise all the right-of-use assets at 1 July 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 July 2019 to assess if there was any impairment as on that date.

The Group has also applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 July 2019) and accounted for those leases as short-term leases.

HK(IFRIC)-Interpretation 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs *(Continued)*

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The adoption of these amendments has no significant impact on the Group's consolidated financial statements.

2. **ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")** *(Continued)*

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

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

Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting[1]
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendment to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[3]
Amendment to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards[3]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 9, Financial Instruments[3]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 16, Leases[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2022
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted
5 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

Amendments to HKFRS 3 — Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, wither individually or in the context of the financial statements. A misstatement of information is material of it could reasonably be expected to influence decisions made by the primary users.

The amendments clarify that, in assessing whether an information could reasonably be expected to influence decisions of the primary users, an entity must consider the characteristics of those users as well as its own circumstances.

Revised Conceptual Framework — Revised Conceptual Framework for Financial Reporting

The Revised Conceptual Framework for Financial Reporting supersedes the version that was issued in 2010 and is the equivalent of the Conceptual Framework for Financial Reporting issued by the International Accounting Standards Board. The revised framework includes: (i) new chapters on measurement and reporting financial performance; (ii) new guidance on derecognition of assets and liabilities; (iii) updated definitions of asset and liability; and (iv) clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current

The amendments to HKAS 1 affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

They:

— clarify that the classification of liabilities as current or non-current should be based on the right that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

— clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

— make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to HKAS 16 — Property, Plant and Equipment — Proceeds before Intended Use

The amendments clarify the accounting requirement for proceeds received by an entity from selling items produced while testing an item of property, plant and equipment before it is used for its intended purpose. An entity recognise the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

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

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprise the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental cost of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 16 — COVID-19-Related Rent Concessions

The amendments provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification and require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. The criteria must be satisfied for a rent concession to qualify for the practical expedient.

Annual Improvements to HKFRSs 2018–2020 Cycle — Amendments to HKFRS 1, First time adoption of Hong Kong 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 Cycle — Amendments to 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 derecognize 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.

2. **ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")** *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements to HKFRSs 2018–2020 Cycle — Amendments to 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 upon application.

3. **REVENUE AND SEGMENT REPORTING**

Revenue represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts and sales related taxes, income from hotel operations, interest income from loans receivable during the year.

	2020	2019
	HK$'000	*HK$'000*
Services income:		
Hotel hospitality business	**31,479**	33,226
Interest income:		
Money lending services	**12,901**	22,332
Trading income:		
New energy business	**2,072**	6,409
Liquor and wine	**2,470**	914
	48,922	62,881

Segment reporting

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the Company's executive directors.

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

(i) hotel hospitality business;

(ii) provision of money lending services;

(iii) new energy business;

(iv) trading and distribution of liquor and wine; and

(v) investments in funds

There were no inter-segment transactions between different operating segments for the year (2019: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-maker for assessment of segment performance.

3. **REVENUE AND SEGMENT REPORTING** *(Continued)*

Segment reporting *(Continued)*

(b) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 30 June 2020

	Hotel hospitality business *HK$'000*	**Money lending services** *HK$'000*	**New energy business** *HK$'000*	**Liquor and wine** *HK$'000*	**Investments in funds** *HK$'000*	**Total** *HK$'000*
Segment revenue	**31,479**	**12,901**	**2,072**	**2,470**	**–**	**48,922**
Segment (loss)/profit	**(135,305)**	**(5,293)**	**(11,573)**	**3,102**	**7,359**	**(141,710)**
Unallocated corporate income and gains						**2,415**
Unallocated corporate expenses *(Note)*						**(35,044)**
Finance costs						**(2,121)**
Gain on disposal of subsidiaries						**4,449**
Share of loss of associates						**(2,611)**
Net deficit on revaluation of investment properties						**(1,261)**
Share-based payment expenses						**(787)**
Loss before income tax						**(176,670)**

For the year ended 30 June 2019

	Hotel hospitality business *HK$'000*	Money lending services *HK$'000*	New energy business *HK$'000*	Liquor and wine *HK$'000*	Investments in funds *HK$'000*	Total *HK$'000*
Segment revenue	33,226	22,332	6,409	914	–	62,881
Segment (loss)/profit	(6,771)	(106,460)	(29,944)	(3,091)	4,301	(141,965)
Unallocated corporate income and gains						3,102
Unallocated corporate expenses *(Note)*						(32,284)
Finance costs						(1,240)
Net surplus on revaluation of investment properties						1,614
Share-based payment expenses						(2,147)
Loss before income tax						(172,920)

Note: Unallocated corporate expenses mainly included staff salaries, directors' remuneration, office rental expenses and consultancy fees for the years ended 30 June 2020 and 2019.

3. REVENUE AND SEGMENT REPORTING *(Continued)*

Segment reporting *(Continued)*

(c) Segment assets and liabilities

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

	2020	2019
	HK$'000	*HK$'000*
Segment assets		
Hotel hospitality business	**415,589**	550,562
Money lending services	**125,566**	124,357
New energy business	**2,898**	4,057
Liquor and wine	**68,736**	72,178
Investments in funds	**82,366**	116,054
Total segment assets	**695,155**	867,208
Assets of a disposal group held for sale	**–**	91,555
Interests in associates	**12,989**	–
Investment properties	**19,400**	–
Unallocated bank balances and cash	**312,174**	255,851
Unallocated corporate assets *(Note)*	**22,236**	57,335
Consolidated total assets	**1,061,954**	1,271,949

	2020	2019
	HK$'000	*HK$'000*
Segment liabilities		
Hotel hospitality business	**133,764**	145,781
Money lending services	**432**	181
New energy business	**53,246**	79,564
Liquor and wine	**2,352**	2,663
Investments in funds	**183**	183
Total segment liabilities	**189,977**	228,372
Liabilities of a disposal group held for sales	**–**	402
Tax payable	**2,618**	2,618
Deferred tax liabilities	**62,609**	71,928
Unallocated corporate liabilities	**15,004**	1,987
Consolidated total liabilities	**270,208**	305,307

Note: Unallocated corporate assets mainly comprised of consideration receivables and compensation from profit guarantee for the year ended 30 June 2020 and amount due from non-controlling interests and compensation from profit guarantee for the year ended 30 June 2019.

3. REVENUE AND SEGMENT REPORTING *(Continued)*

Segment reporting *(Continued)*

(d) Other segment information

For the year ended 30 June 2020

	Hotel hospitality business *HK$'000*	Money lending services *HK$'000*	New energy business *HK$'000*	Liquor and wine *HK$'000*	Investments in funds *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets	2,293	–	127	–	–	15,600	18,020
Depreciation of property, plant and equipment	(6,361)	(25)	–	(2)	(126)	(1,827)	(8,341)
Impairment loss on property, plant and equipment	(74,159)	–	(127)	–	–	–	(74,286)
Impairment losses on loans receivable	–	(18,734)	–	–	–	–	(18,734)
(Impairment losses)/reversal of impairment losses on other receivables and deposits	–	–	(309)	(2,718)	(1,837)	97	(4,767)
Impairment losses on goodwill	(56,984)	–	–	–	–	–	(56,984)
Gain on disposal of subsidiaries	–	–	–	4,063	–	4,449	8,512
Bank interest income	–	–	3	21	12	1,312	1,348
Net deficit on revaluation of investment properties	–	–	–	–	–	(1,261)	(1,261)
Change in fair value of financial assets at fair value through profit or loss	–	–	–	–	9,997	–	9,997
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:							
Finance costs	(1,099)	(2)	(70)	–	–	(950)	(2,121)

3. REVENUE AND SEGMENT REPORTING *(Continued)*

Segment reporting *(Continued)*

(d) Other segment information (Continued)

For the year ended 30 June 2019

	Hotel hospitality business *HK$'000*	Money lending services *HK$'000*	New energy business *HK$'000*	Liquor and wine *HK$'000*	Investments in funds *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets	1,025	–	316	–	–	165	1,506
Depreciation of property, plant and equipment	(6,172)	(28)	(867)	(3)	(154)	(1,362)	(8,586)
Amortisation of intangible assets	–	–	(536)	–	–	–	(536)
Reversal of written down of inventories	–	–	–	1,251	–	–	1,251
Impairment loss on property, plant and equipment	–	–	(2,390)	–	–	–	(2,390)
Impairment losses on trade receivables	(1)	–	(2)	(1,076)	–	–	(1,079)
Impairment losses on loans receivable	–	(127,148)	–	–	–	–	(127,148)
Reversal of impairment losses/ (impairment loss) on other receivables and deposits	–	1	(299)	(45)	2	43	(298)
Impairment loss on intangible assets	–	–	(6,569)	–	–	–	(6,569)
Gain on disposal of a subsidiary	–	–	–	–	–	880	880
Bank interest income	–	–	1	14	11	1	27
Net surplus on revaluation of investment properties	–	–	–	–	–	1,614	1,614
Change in fair value of financial assets at fair value through profit or loss	–	–	–	–	5,183	–	5,183
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:							
Finance costs	(1,121)	–	(119)	–	–	–	(1,240)

3. **REVENUE AND SEGMENT REPORTING** *(Continued)*

Segment reporting *(Continued)*

(e) Geographic information

The Group's operations are mainly located in Hong Kong (place of domicile), the PRC, Sweden and Japan.

The Group's revenue from external customers and information about its non-current assets (other than financial assets) by geographical markets are detailed as below:

	Revenue from external customers		**Non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**12,901**	22,332	**38,074**	2,537
PRC	**4,050**	2,639	**6**	9
Sweden	**492**	4,684	**–**	–
Japan	**31,479**	33,226	**404,195**	542,408
	48,922	62,881	**442,275**	544,954

The geographical location of customers is based on the location at which the goods and services are delivered. For goodwill and intangible assets, the geographical location is based on the areas of operation. The geographical location of other non-current assets is based on the physical location of the assets.

(f) Major customers

There is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the years ended 30 June 2020 and 2019.

4. **OTHER INCOME AND GAINS**

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**1,348**	27
Additional compensation in relation to profit guarantee	**400**	500
Other operating income	**85**	320
Interest income on amount due from non-controlling interests	**94**	746
Change in fair value of financial assets at fair value through profit or loss *(note 16)*	**9,997**	5,183
Other sundry income	**3,848**	898
	15,772	7,674

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**2,080**	2,300
Depreciation expenses in respect of:		
Owned assets	**6,830**	8,586
Right-of-use assets	**1,511**	–
Cost of inventories recognised as expense, including:	**20,735**	22,299
— Reversal of written down of inventories	**–**	(1,251)
Amortisation of intangible assets	**–**	536
Impairment loss of loans receivable *(note 14)*	**18,734**	127,148
Impairment loss on trade receivables *(note 15)*	**–**	1,079
Impairment loss/(reversal of impairment loss) on other receivables and deposits	**4,767**	(298)
Impairment loss on intangible assets	**–**	6,569
Impairment loss on goodwill *(note 12)*	**56,984**	–
Impairment loss on property, plant and equipment *(note 10)*	**74,286**	2,390
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**17,597**	23,014
Contributions to retirement benefit schemes	**1,184**	2,066
Share-based payment expenses to employees	**–**	(327)
Share-based payment expenses to consultants	**787**	2,474
Operating lease rentals in respect of:		
Office premises	**–**	5,712
Vehicles	**–**	378
Short term lease expenses	**1,458**	–
Exchange losses, net	**2,379**	4,767
Written off of property, plant and equipment	**32**	773

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans and bank overdraft	**1,171**	1,240
Interest on other loan	**720**	–
Interest on lease liabilities	**230**	–
	2,121	1,240

7. INCOME TAX CREDIT

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for both years ended 30 June 2020 and 2019. No provision for Hong Kong profits tax has been made for the current and prior periods as the Group has no assessable profits arising in Hong Kong.

The subsidiaries established in the PRC are subject to enterprise income tax ("EIT") at tax rates of 25% for both years ended 30 June 2020 and 2019. No provision for PRC EIT has been made for the current and prior periods as the Group has no assessable profits arising in the PRC.

7. INCOME TAX CREDIT *(Continued)*

Under the relevant Japan tax regulations, the profits of the business under tokumei kumiai arrangement which is distributed to a tokumei kumiai investor after deducting any accumulated losses in prior years is only subject to 20.42% withholding income tax in Japan. The withholding tax is final Japanese tax on such distributed tokumei kumiai profits and such profits are not subject to any other Japanese taxes. There is no withholding tax paid or payable for the both years ended 30 June 2020 and 2019 as there is no profit distribution.

The subsidiary established in Japan is subject to prefectural and municipal inhabitant taxes on a per capita basis in accordance with the relevant Japan tax regulations for the years ended 30 June 2020 and 2019.

The subsidiary established in Sweden is subject to corporate income tax at tax rates of 22% for the years ended 30 June 2020 and 2019. No provision for Sweden corporate income taxes have been made for the current and prior periods as the Group has no assessable profits arising in Sweden.

	2020	2019
	HK$'000	*HK$'000*
Current tax for the year		
Hong Kong	**–**	–
Japan	**10**	10
Deferred tax	**(9,111)**	(3,998)
Total income tax credit	**(9,101)**	(3,988)

8. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2020 (2019: Nil).

9. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of the basic loss per share based on the following data:

	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to owner of the Company for the purpose of calculating basic and diluted loss per share	**(163,520)**	(154,992)

	Number of shares	
	2020	2019
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**15,695,532**	15,695,532

Diluted loss per share amount for both years were not presented because the impact of the exercise of the share options and convertible preference shares was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment with the net carrying amount of HK$481,241,000 (2019: HK$485,258,000) (before the impairment assessment) is attributable to the cash-generating unit of hotel hospitality ("Hotel Hospitality Business CGU") with which the goodwill is recognised. As the recoverable amount of the Hotel Hospitality CGU is lower than its carrying amount, the directors of the Company considered that an impairment loss of approximately HK$74,159,000 (2019: Nil) has been recognised for the year ended 30 June 2020. Details of the impairment assessment of that cash-generating unit are set out in note 12.

Property, plant and equipment with the net carrying amount HK$127,000 (2019: HK$2,390,000) (before the impairment assessment) is attributable to the cash-generating unit of new energy business ("New Energy Business CGU") with which the goodwill is recognised. As the recoverable amount of the New Energy Business CGU is lower than its carrying amount, the directors of the Company considered that an impairment loss of approximately HK$127,000 (2019: HK$2,390,000) has been recognised for the year ended 30 June 2020. Details of the impairment assessment of that cash-generating unit are set out in note 12.

11. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	*HK$'000*
At beginning of the year	**–**	–
Addition through acquisition of a subsidiary during the year	**18,941**	80,000
Direct costs attributable to the addition	**20**	86
Surplus on revaluation of investment properties	**439**	1,614
Transferred to assets of a disposal group held for sales	**–**	(81,700)
At end of the year	**19,400**	–

In October 2019, the Company has completed the acquisition of investment properties through acquisition of a subsidiary at a consideration of HK$7,000,000. The consideration and the relevant direct costs were settled by immediate holding company on behalf of the Company. Investment properties are situated in Hong Kong and are held under medium-term leases. Details of the acquisition are set out in note 23.

The fair value of the Company's investment properties at 30 June 2020 and 2019 has been assessed by an independent professional valuer. Net deficit on revaluation of HK$1,261,000 (2019: Net surplus on revaluation of HK$1,614,000) has been recognised in profit or loss for the year ended 30 June 2020.

On 25 April 2019, the Group entered into provisional agreement for sale and purchase of the entire issued share capital of Rich Shine Development Limited ("Rich Shine"), a wholly-owned subsidiary of the Company, at a cash consideration of HK$82,820,000. Rich Shine is holding the investment properties in Hong Kong. The investment properties held by Rich Shine have been classified as assets of a disposal group held for sale in the consolidated statement of financial position as at 30 June 2019. Details of the disposal are set out in note 22(b).

As at 30 June 2020, investment properties in Hong Kong with an aggregate carrying value of HK$19,400,000 have been pledged to secure borrowing facilities granted to the Group (note 18).

12. GOODWILL

	HK$'000
COST:	
At 1 July 2018	116,342
Exchange realignment	(5,957)
At 30 June 2019 and 1 July 2019	110,385
Exchange realignment	(689)
At 30 June 2020	109,696
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 July 2018	60,345
Exchange realignment	(7,110)
At 30 June 2019 and 1 July 2019	53,235
Impairment loss during the year	56,984
Exchange realignment	(523)
At 30 June 2020	109,696
NET CARRYING AMOUNT:	
At 30 June 2020	–
At 30 June 2019	57,150

Notes:

Hotel hospitality business

The goodwill was arising from the acquisition of hotel hospitality in the previous years. The goodwill with the carrying amount of HK$56,984,000 (2019: HK$57,150,000) (before the impairment assessment) as at 30 June 2020 is allocated to the Hotel Hospitality Business CGU.

The recoverable amount of the Hotel Hospitality Business CGU is determined by the Directors of the Company with reference to a valuation report issued by an independent professional valuer. The recoverable amount of the Hotel Hospitality Business CGU has been determined from fair value less cost of disposal, in which fair value is primarily making reference to the recent sales of similar transactions in the market and cost of disposal is estimated at 3.5% of assessed fair value. As the recoverable amount of hotel hospitality business CGU is lower than its carrying amount, the Directors of the Company are in opinion that impairment loss of HK$56,984,000 (2019: Nil) was considered for the year ended 30 June 2020.

New energy business

The goodwill was arising from the acquisition of new energy business in the prior years.

12. GOODWILL *(Continued)*

New energy business *(Continued)*

For the year ended 30 June 2020, the recoverable amount of the New Energy Business CGU is determined by the Directors of the Company with reference to a valuation report issued by an independent professional valuer. The recoverable amount of the New Energy Business CGU has been determined from value-in-use calculation. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 26% (2019: 25%). The cash flow projections beyond the 5 years periods are extrapolated using a growth rate at 3% (2019: 3%). Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budgeted gross margins and growth rate have been determined based on past performance and the Group management's expectations for the market development and future performance of the New Energy Business CGU. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the New Energy Business CGU. The recoverable amount of the New Energy Business CGU is considered as nil at 30 June 2020 (2019: Nil).

13. INTERESTS IN ASSOCIATES

	2020	2019
	HK$'000	*HK$'000*
At beginning of the year	**–**	–
Acquisition of associates	**15,600**	–
Share of loss for the year	**(2,611)**	–
At end of the year	**12,989**	–

In November 2019, Ming Fong Group Limited and its subsidiaries (together "Ming Fong Group") were acquired by the Group at the consideration of HK$15,600,000. The Ming Fong Group's principal activities primarily involves manufacturing and selling of ink and packaging materials and trading of water based ink business.

14. LOANS RECEIVABLE

	2020	2019
	HK$'000	*HK$'000*
Gross loan and interest receivables	**222,238**	233,710
Less: impairment losses allowances	**(168,401)**	(141,361)
	53,837	92,349
Less: Non-current portion	**(1,423)**	–
Current portion	**52,414**	92,349

As at 30 June 2020, the loans receivable with gross principal amount of HK$201,808,000 (2019: HK$219,882,000) in aggregate and related gross interest receivables of HK$20,430,000 (2019: HK$13,828,000) were due from ten (2019: ten) independent third parties. These loans are interest-bearing at rates ranging from 5.5% to 20% (2019: 5.5% to 20%) per annum. Except for the balances of HK$1,423,000 as at 30 June 2020, all the loan receivables were repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 30 June 2020.

As at 30 June 2020, the Group hold collateral over loans receivable with gross principal amount of HK$85,243,000 (2019: HK$102,500,000).

14. LOANS RECEIVABLE *(Continued)*

Impairment loss of HK$18,734,000 (2019: HK$127,148,000) has been recognised in the consolidated statement of comprehensive income for the year.

The movements in the impairment losses allowances for loans receivable for the years ended 30 June 2020 and 2019 are as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 July	**141,361**	15,351
Expected credit loss for the year	**18,734**	127,148
Written off of loans receivable	**–**	(2,441)
Adjustment on interest receivables arising from the impaired loans	**8,306**	1,303
At 30 June	**168,401**	141,361

15. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**2,477**	3,120
Less: Provision for impairment losses	**(2,058)**	(2,121)
Trade receivables, net *(note (a))*	**419**	999
Other receivables *(note (b))*	**80,710**	17,882
Other deposits and prepayments	**9,097**	9,642
	90,226	28,523

Notes:

(a) The Group allows an average credit period of 0 to 90 days to its trade receivables.

The ageing analysis of trade receivables, net of provision for impairment losses, based on invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**319**	827
31–60 days	**11**	129
61–90 days	**10**	17
Over 90 days	**79**	26
	419	999

15. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

The movements in the expected credit loss for trade receivables for the year ended 30 June 2020 and 2019 are as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 July	**2,121**	1,166
Expected credit loss for the year	**–**	1,079
Exchange realignment	**(63)**	(124)
At 30 June	**2,058**	2,121

The Group allows an average credit period of 0 to 90 days to its trade receivables.

(b) Other receivables mainly represented receivables arising from redemption of an unlisted private fund of HK$61,242,000 (2019: Nil) and consideration receivables in relation to the disposal of Miracle True Investment Limited ("Miracle True") of HK$7,000,000 (2019: Nil).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Compensation from profit guarantee *(note (a))*	**10,000**	20,000
Unlisted private funds *(note (b))*	**58,769**	110,015
	68,769	130,015
Less: Non-current portion	**(58,769)**	(110,015)
Current portion	**10,000**	20,000

Notes:

(a) The compensation from profit guarantee was arising from a profit guarantee undertaken by the vendor in relation to the financial performance of Delta Prestige Holdings Limited and its subsidiaries for the year ended 30 June 2016.

For the year ended 30 June 2020, no fair value change of compensation from profit guarantee (2019: Nil) was recognised in the consolidated statement of comprehensive income.

(b) The fair value gain of unlisted private funds was HK$9,997,000 (2019: HK$5,183,000) which has been dealt with in the consolidated statement of comprehensive income for the year ended 30 June 2020.

During the year ended 30 June 2020, the Group redeemed one of the unlisted private funds and agreed to extend the settlement to 30 October 2020.

17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020	2019
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**1,462**	1,602
Other payables and accruals *(note (b))*	**12,786**	15,961
	14,248	17,563

Notes:

(a) The ageing analysis of trade payables, based on invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**728**	1,373
31–60 days	**62**	80
61–90 days	**564**	27
Over 90 days	**108**	122
	1,462	1,602

(b) As at 30 June 2020, other payables and accruals consists of accrued audit fee of HK$2,080,000 (2019: HK$2,300,000).

18. BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Bank overdraft	**–**	1,751
Bank loans, secured	**128,671**	137,976
Other loan, secured	**12,000**	–
	140,671	139,727
Less: Current portion	**(20,659)**	(10,766)
Non-current portion	**120,012**	128,961

18. BORROWINGS *(Continued)*

Based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause, borrowings are repayable as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year or on demand	**20,659**	10,766
More than one year, but not exceeding two years	**119,785**	8,826
More than two years, but not exceeding five years	**227**	120,135
	140,671	139,727

Bank loans were secured by (i) corporate guarantees provided by subsidiaries within the Group as at 30 June 2020 and 2019; (ii) land and building with the carrying amount of HK$407,082,000 (2019: HK$482,972,000); (iii) the bank balances of HK$6,138,000 (2019: HK$1,872,000); and (iv) the entire equity interest of certain subsidiaries as at 30 June 2020 and 2019.

The abovementioned bank loans are charged at floating rates of 0.75% per annum (2019: 0.75% to 8.05%).

Other loan is secured by a legal charge over investment properties with the carrying amount of HK$19,400,000 (2019: Nil) and is charged at 9% per annum.

19. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount due was unsecured, interest-free and repayable on demand.

20. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.05 each at 30 June 2019 and 2020		
Authorised:		
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	30,000,000	1,500,000

	Number of shares	**Amount**
	'000	*HK$'000*
Issued and fully paid:		
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	15,695,532	784,776

21. TRANSACTION WITH NON-CONTROLLING INTERESTS

On 4 April 2018, the Group entered into a sale and purchase agreement ("SPA") with the purchaser and Mr. Zhu Yongjun (the "Guarantor"), in which the purchaser is an entity wholly-owned by the Guarantor. The Guarantor who is a director of Perfect Essential Holdings Limited, a wholly-owned subsidiary of the Company. Pursuant to the SPA, the Group agreed to dispose of 49% equity interest of Perfect Essential Holdings Limited and its subsidiaries (the "EPS Group") at a consideration of HK$382 and the shareholder's loans (the "Shareholder's Loan") at a consideration of HK$64,484,000. The Group's effective interest in the EPS Group was changed from 100% to 51% upon the completion of the disposal of the 49% equity interests in EPS Group in July 2018. The Group recognised an increase in the deficit of non-controlling interests of HK$62,026,000 and an increase in equity attributable to owners of the Company of HK$62,026,000.

Pursuant to the SPA, the considerations should be settled by the purchaser in five instalments on or before the agreed time frame. During the year ended 30 June 2020, the considerations of the sales shares of HK$382 and the sales loans of HK$35,861,000 have been received by the Company. As at 30 June 2020, remaining considerations of the sales loans with gross principal amount of HK$28,623,000 and the related gross interest receivables of HK$746,000 have been passed due. Share charge on 22% equity interest of the EPS Group has been created by the purchaser as the security for the payment of remaining considerations.

On 15 July 2019, the Group, the purchaser and the Guarantor entered into a deed of settlement (the "Deed of Settlement") to set out the terms and conditions for the settlement of the payment obligations and liabilities of the purchaser. As at the date of the Deed of Settlement, the EPS Group is owned as to 51% by the Group and 49% by the purchaser. However, the purchaser has only paid the consideration for 27.25% of the Shareholder's Loan. As part of the settlement, the purchaser shall transfer 21.75% of issued share capital of the EPS Group to the Group so that the remaining shareholding of the purchaser in the EPS Group is in proportion to its 27.25% interest in the Shareholder's Loan.

On 21 November 2019, the condition precedent for the Deed of Settlement has been fulfilled and the completion took place on 21 November 2019. Immediately after the settlement completion, the Company holds 72.75% equity interest in EPS Group and the EPS Group continues to be a non-wholly-owned subsidiary of the Company. The Group recognised a decrease in the deficit of non-controlling interests of HK$33,379,000 and a decrease in equity attributable to owners of the Company of HK$33,379,000 for the year ended 30 June 2020.

Details of the transactions with non-controlling interests are set out in the Company's announcements dated 4 April 2018, 26 April 2018, 11 May 2018, 8 June 2018, 18 July 2018, 18 October 2018, 31 October 2018, 16 January 2019, 27 February 2019, 17 April 2019, 15 July 2019, 5 August 2019, 16 August 2019, 19 August 2019, 2 September 2019, 16 September 2019 and 21 November 2019; and the Company's circular dated 25 June 2018 and 25 October 2019.

22. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Guoyi Trading (Sichuan) Limited ("Guoyi Trading")

On 25 November 2019, the Group entered into an agreement with an independent third party to dispose of its entire equity interest of Guoyi Trading at a consideration of RMB500 (equivalent to HK$555). Gain on disposal amounted to HK$4,063,000 was analysed as follows:

	2020 ***HK$'000***
Net liabilities disposed of:	
Other receivables	**(1)**
Release of exchange reserve to profit or loss upon disposal	**(4,063)**
	(4,064)
Less: Proceeds from disposal	**1**
Gain on disposal	**(4,063)**

(b) Disposal of Rich Shine

On 25 April 2019, the Group entered into a provisional agreement with an independent third party to dispose of its entire equity interest of Rich Shine at a consideration of HK$82,820,000 and the disposal have been completed on 13 August 2019. The fair value of the investment properties are changed from HK$81,700,000 to HK$80,000,000 at the disposal date. Gain on disposal amounted to HK$2,755,000 was analysed as follows:

	2020 ***HK$'000***
Net assets disposed of:	
Investment properties	**80,000**
Prepayment and other receivables	**65**
	80,065
Less: Proceeds from disposal	**(82,820)**
Gain on disposal	**(2,755)**

22. **DISPOSAL OF SUBSIDIARIES** *(Continued)*

(c) Disposal of Miracle True

On 7 September 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest of Miracle True at a cash consideration of HK$11,000,000. The disposal has been completed on 30 December 2019. Gain on disposal amounted to HK$1,694,000 was analysed as follows:

	2020
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**9,573**
Cash at bank	**18**
Other payables and accrual	**(438)**
	9,153
Add: Release of exchange reserve to profit or loss upon disposal	**153**
Less: Proceeds from disposal	**(11,000)**
Gain on disposal	**(1,694)**

(d) Disposal of Show Art Limited ("Show Art")

On 30 November 2018, the Group entered into a share transfer agreement with an independent third party to dispose of the entire equity interest of Show Art at a consideration of HK$5,000,000. Gain on disposal amounted to HK$880,000 was analysed as follows:

	2019
	HK$'000
Net assets disposed of:	
Property, plant and equipment	4,132
Prepayment	3
Accruals	(15)
	4,120
Less: Proceeds from disposal	(5,000)
Gain on disposal	(880)

23. ACQUISITION OF A SUBSIDIARY UNDER ASSET ACQUISITION

On 24 October 2019, the Group acquired entire equity interest in Goldkeen Limited ("Goldkeen") at a consideration of HK$7,000,000. Goldkeen holds a property in Hong Kong. The directors of the Company were of the opinion that acquisition of Goldkeen did not constitute business combinations as defined in HKFRS 3, therefore, the acquisition had been accounted for as asset acquisition.

Assets and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Net assets acquired of:	
Investment properties	18,941
Property, plant and equipment	4
Other receivables	135
Bank balances	5
Other payables	(85)
Borrowings	(12,000)
Net assets	7,000

24. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, during the year, the following transaction was carried out with related parties in normal course of the Group's business.

	2020	2019
	HK$'000	*HK$'000*
Corporate service fee	**–**	304
Financial advisory fee	**–**	412
	–	716

Those transactions for the year ended 30 June 2019 were paid to two related companies which are controlled by Mr. Wong Hin Shek, an executive director of the Company.

25. SIGNIFICANT EVENT DURING THE YEAR

The outbreak of the Novel Coronavirus ("COVID-19") since early 2020 has resulted in significant decrease in commercial activities in various locations the Group operates and negative affected the Group's business operations, particularly during the months January to June 2020 for the year ended 30 June 2020.

In preparing these consolidated financial statements, the Group has taken into account the increased risks caused by COVID-19 on impairment of the Group's financial and non-financial assets when assessing assets impairment including property, plant and equipment, loans receivable, trade and other receivables, goodwill and financial assets at fair value through profit or loss.

Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there is no other matters that would results in a significant adverse impact on the Group's results and financial position as at the reporting date as result of COVID-19.

26. EVENTS AFTER REPORTING PERIOD

Third supplemental settlement deed relating to 2016 settlement deed, the supplemental settlement deed and the second supplemental settlement deed

On 16 September 2020, the Company entered into the third supplemental settlement deed for the full and final settlement of the vendor's obligation of the outstanding settlement payment under the 2016 settlement deed, the supplemental settlement deed and the second supplemental deed. Details of the transactions are set out in the Company's announcements dated 26 April 2015, 26 September 2016, 28 September 2018, 27 September 2019 and 16 September 2020.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has expressed a qualified opinion in its auditor's report on the Group's consolidated financial statements for the year ended 30 June 2020, an extract of which is as follows:

QUALIFIED OPINION

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

BASIS FOR QUALIFIED OPINION

Corresponding figures related to intangible assets

The directors of the Company have performed an impairment assessment on the Group's New Energy Business cash generating unit ("New Energy Business CGU") as at 30 June 2018. The New Energy Business CGU included the intangible assets arising from the acquisition of Emission Particle Solution Sweden AB ("EPS"). During the course of our audit of the Group's consolidated financial statements for the year ended 30 June 2018, the directors of the Company had not provided us with sufficient appropriate evidence relating to the accuracy and relevance of the data used by them in estimating the fair value of the intangible assets as at the date of acquisition of EPS and the recoverable amount of the New Energy Business CGU as at 1 July 2017 and 30 June 2018. Accordingly, we qualified our opinion on the Group's consolidated financial statements for the year ended 30 June 2018.

The matter giving rise to the abovementioned limitations on our scope of work was not resolved in our audit of the Group's 2019 and 2020 consolidated financial statements. Since any adjustments to the carrying amount of intangible assets as at 30 June 2018 found to be necessary would have a consequential effect on the impairment loss on the intangible assets of HK$6,569,000, the amortisation charge on the intangible assets of HK$536,000, the reversal of deferred tax liability of HK$118,000 as a result of amortisation of the intangible assets and HK$1,445,000 as a result of recognition of the impairment loss recognised in the consolidated statement of comprehensive income for the year ended 30 June 2019, our audit opinion on the Group's consolidated financial statements for the year ended 30 June 2019 was modified accordingly.

Our audit opinion on the Group's consolidated financial statements for the year ended 30 June 2020 is also modified because of the possible effects of this matter on the comparability of the related 2020 figures and 2019 figures.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group was engaged in five business segments, (i) hotel hospitality business; (ii) provision of money lending services; (iii) new energy business; (iv) trading and distribution of liquor and wine; and (v) investments in fund. As at 30 June 2020, the Group recorded a revenue of approximately HK$48.9 million (2019: approximately HK$62.9 million). The net loss for the year ended 30 June 2020 was approximately HK$167.6 million (2019: approximately HK$168.9 million) while the loss for the year attributable to owners of the Company was approximately HK$163.5 million (2019: approximately HK$155.0 million). Basic loss per share was approximately 1.04 HK cents (2019: approximately 0.99 HK cent). The net loss for the year was mainly attributable to the net effect of (i) the recognition of impairment losses on goodwill, freehold land and building in relation to the hotel hospitality business of approximately HK$125.6 million in aggregate; and (ii) the decrease in impairment loss on loans receivable of approximately HK$108.4 million.

Hotel hospitality business

During the year, the hotel hospitality business recorded a revenue of approximately HK$31.5 million (2019: approximately HK$33.2 million) and a segment loss of approximately HK$135.3 million (2019: approximately HK$6.8 million). The segment loss was mainly due to the impairment loss on goodwill, freehold land and building.

Hotel hospitality business is one of the core businesses of the Group which contributed approximately 64.3% of the Group's revenue for the year ended 30 June 2020. The hotel, One Niseko Resort Towers (the "Resort Towers"), is located in the famous Japanese skiing destination of Niseko, Hokkaido, Japan. Niseko is one of the famous ski resort areas in Japan and is well known for its heavy light powder snow and spectacular backcountry. The Resort Towers consists of 110 units of high-end accommodation and has an onsen with an indoor and outdoor bath. It attracts many tourists from world-wide for skiing in the winter time.

In the course of preparing the financial statements, the management had engaged an independent qualified valuer (the "Hotel Valuer") to determine the recoverable amount of the cash generating unit of the hotel hospitality business. For the sake of prudence, the management had further engaged another independent qualified valuer to conduct an independent review of the valuation report issued by the Hotel Valuer on the valuation methodology and key valuation parameters. In assessing the recoverable amount of the cash generating unit of the hotel hospitality business as at 30 June 2020, the fair value less cost of disposal method was adopted which based on direct comparison approach with reference to the recent sales of similar transactions in the market. The cost of disposal was approximately 3.50% of the market value of the Resort Towers. As the recoverable amount of the cash generating unit of the hotel hospitality business as at 30 June 2020 was lower than its carrying amount, impairment loss, mainly attributable to the goodwill, freehold land and building, was recognised for the year ended 30 June 2020. The valuation methodology and the value of inputs and assumptions adopted were same as for the year ended 30 June 2019.

Money lending services

As at 30 June 2020, the Group had loans receivable with gross principal amount of approximately HK$201.8 million (2019: approximately HK$219.9 million). The Group recorded interest income from loans receivable of approximately HK$12.9 million for the year ended 30 June 2020 (2019: approximately HK$22.3 million).

The loan portfolio comprises loans to independent third party borrowers with term ranging from eight months to forty months and interest rate ranged from 5.5% to 20% per annum.

The money lending business recorded a segment loss of approximately HK$5.3 million (2019: approximately HK$106.5 million). The decrease in segment loss was mainly resulted from decrease in impairment loss on loans receivable.

In the course of preparing the financial statements, the management had engaged an independent qualified valuer (the "1st ECL Valuer") to determine the expected credit losses (the "ECL") of the Group's loans receivable. For the sake of prudence, the management had further engaged another independent qualified valuer to conduct an independent review of the valuation report issued by the 1st ECL Valuer on the valuation methodology, the underlying assumptions, the parameters and inputs used in the valuation for accounting purpose. In assessing the ECL of the Group's loans receivable, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics. In determining the default risk, factors including but not limited to, the ageing analysis of the receivables, the Group's internal assessment of the debtors' credit worthiness, historical and forecast occurrence of event of default, existence and valuation of the collaterals, the relevant regulatory framework and government policies in Hong Kong and global economic outlook in general and the specific economic condition of Hong Kong and the People's Republic of China (the "PRC"), would be considered. The rate of ECL ranged from 9% to 100% depending on the nature, probability of default and loss given default of the loans receivable.

The Group has adopted a credit policy to manage its money lending business which includes compliance with all applicable laws and regulations, credit assessment on potential borrower and his/its assets, the credibility of the potential borrower, the necessity in obtaining collaterals and determination of suitable interest rate to reflect the risk level of the provision of loan.

The Group has performed credit risk assessment before granting the loans by (a) reviewing the financial information of the potential borrower; and (b) performing an assessment on the financial condition of the potential borrower and its shareholder (for enterprises), such as the type and value of assets owned by the potential borrower.

The Group also assesses and decides the necessity and the value of security/collateral for granting of each loan, whether to an individual or enterprise, on a case by case basis considering factors, including but not limited to, the repayment history, results of public search towards the borrower, the value and location of the assets owned by the borrower and the financial condition of the borrower.

For loan collection/recovery, the Group issues overdue payment reminder to the borrower, instructs its legal advisers to issue demand letter for loans overdue for a longer period of time, negotiates with the borrower for the repayment or settlement of the loan and/or commences legal actions against the borrower.

New energy business

The new energy business is mainly engaged in the development, manufacturing and distribution of a fuel additive product, namely EuroAd which can reduce fuel consumption and environmental impact. EuroAd is a totally biodegradable fuel additive that acts as a catalyst to achieve fuel efficiency and cost savings.

The revenue for the year ended 30 June 2020 of the new energy business was approximately HK$2.1 million (2019: approximately HK$6.4 million) and the segment loss was approximately HK$11.6 million (2019: approximately HK$29.9 million). The decrease in segment loss was mainly resulted from decrease in impairment losses on intangible assets.

On 4 April 2018, the Company as vendor, Excellent Point Asia Limited as purchaser and Mr. Zhu Yongjun as guarantor entered into a sale and purchase agreement (the “SPA”), pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to purchase the 49 issued shares of Perfect Essential Holdings Limited (the “Target Company”, together with its subsidiaries, the “Target Group”), representing 49% of the issued share capital of the Target Company, and the sale loans to be assigned by the vendor to the purchaser, subject to the terms and conditions of the SPA at a total consideration of HK$64,484,382.2.

Pursuant to the SPA, the purchaser and the vendor shall enter into the option deed in respect of the grant of the call option upon the first completion, pursuant to which the vendor shall grant the purchaser the right to acquire all but not part of the option shares, representing 51% of the issued share capital of the Target Company and the option loan, within six months from the first completion date.

The first and second completions took place on 18 July 2018 and 31 October 2018 respectively in accordance with the terms and conditions of the SPA. Immediately upon the first completion, the Company held 51% equity interest of the Target Company and the Target Group became non wholly-owned subsidiaries of the Company.

On 16 January 2019, the Company received a written notice from the purchaser that the purchaser has waived the right to exercise the call option. As such, the call option will not be exercised by the purchaser.

On 27 February 2019, the Company, the purchaser and the guarantor entered into an extension letter to extend the third completion date to not later than 17 April 2019 (or such other date as the Company, the purchaser and the guarantor may agree in writing) (the "Extended Third Completion Date"), and the purchaser undertook to pay to the Company the third tranche payment together with interest accrued on the third tranche payment at the rate of 12% per annum on or before the Extended Third Completion Date.

On 17 April 2019, the Company did not receive the relevant instalments of the consideration for the third completion and the fourth completion, therefore, the third completion and the fourth completion did not take place. The Company had also received a notice from the purchaser that the purchaser was considering the possibility of not proceeding with the third completion, the fourth completion and the fifth completion.

On 15 July 2019, the Company, the purchaser and the guarantor entered into a deed of settlement (the "Deed of Settlement") to set out the terms and conditions for the settlement of the payment obligations and liabilities of the purchaser under the third completion, fourth completion and fifth completion. Pursuant to the Deed of Settlement, (i) the purchaser shall transfer 21.75% of the issued share capital of the Target Company to the Company and assign part of the purchaser's shareholder loan at the consideration of HK$1,220,991.5 (the "Assigned Amount Consideration"); (ii) the purchaser shall pay to the Company the sum of HK$1,220,991.5 by way of set-off against the Assigned Amount Consideration on a dollar-for dollar basis; and (iii) the guarantor shall enter into a service agreement with the Target Company as a consultant for a service fee of HK$1 for the whole term.

The completion took place on 21 November 2019. Immediately after the completion, the Company holds 72.75% equity interest in the Target Company and the Target Company continues to be a non wholly-owned subsidiary of the Company. The assigned amount in the sum of HK$1,220,991.5 has been assigned to the Company on 21 November 2019.

In the course of preparing the financial statements, the management had duly engaged an independent qualified valuer (the "1st Valuer") to determine the recoverable amount of the cash generating unit of the new energy business as at 30 June 2020. For the sake of prudence and same as last year, the Company engaged another independent qualified valuer to conduct an independent review of the valuation report issued by the 1st Valuer on the valuation methodology, assessment of the discount rate and any other key variables used in the valuation and the internal consistency of the valuation model used by the 1st Valuer for accounting reference purpose.

In assessing the recoverable amount of the cash generating unit of the new energy business as at 30 June 2020, value-in-use calculation has been adopted that the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected current market assessment of time value of money and the risk specific to the new energy business. The calculation used in cash flow projections was based on latest financial budgets covering a period of 5 years and at a pre-tax discount rate of 26% which was determined with reference to the market conditions, such as company specific risk premium and cost of debt of the new energy business. The cash flow projections beyond the 5-year period are extrapolated using a perpetual growth rate of 3%. The management of new energy business reviewed the assumptions taking into account of (i) the general economic environment; (ii) industry dynamics; (iii) past performance; and (iv) on-going business development of the new energy business in preparing the cash flow projections.

Liquor and wine business

The revenue for the year ended 30 June 2020 of the liquor and wine business was approximately HK$2.5 million (2019: approximately HK$0.9 million) and a segment profit of approximately HK$3.1 million was recorded for the year ended 30 June 2020 (2019: segment loss of approximately HK$3.1 million). The Group had aggressively sold the inventories during the year under review.

Fund investments

As at 30 June 2020, the Group had invested into a fund with a value of approximately HK$58.8 million (2019: two funds with an aggregate value of approximately HK$110.0 million).

(1) TAR High Value Fund SP (the "TAR Fund")

TAR Fund is a segregated portfolio created by TAR Opportunities Fund SPC ("TAR SPC") which is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability. TAR SPC is registered as a "segregated portfolio company" with the Registrar of Companies of the Cayman Islands and principally engaged in the investment and fund related services. TAR SPC has appointed TAR Fund Management (Cayman) Limited ("TAR Fund Management") as its investment manager. TAR Fund Management is an exempted company incorporated in the Cayman Islands with limited liability. The director of TAR Fund Management has over 10 years of experience in manufacturing, management and investment and has been involved in financial industries in the PRC and Hong Kong for many years, and has considerable experience in stock and derivative products. The purpose of TAR Fund is to carry on the business of investing, holding, monitoring and realising investments made with the principal objective of achieving a high rate of return through capital appreciation through investments that operates in or derive significant business opportunities from the financial services, natural resources and/or property investments sectors. Such investment can be in form of equity investments and/or debt instruments including but not limited to convertible or exchangeable bonds, notes and debentures.

The net asset value of the TAR Fund as at 30 June 2020 was approximately HK$58.8 million, represented approximately 5.5% to the Group's total assets. The TAR Fund had an average return of approximately 1.05% and 2.77% for the years ended 30 June 2020 and 2019 respectively.

(2) TAP Growth Fund SP (the "TAP Fund")

TAP Fund is a segregated portfolio created by TAP Global Fund SPC ("TAP SPC") which is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability. TAP SPC is registered as a "segregated portfolio company" with the Registrar of Companies of the Cayman Islands and is principally engaged in the investment and fund related services. TAP SPC has appointed TAP Investment Management (Cayman) Limited ("TAP Investment Management") as its investment manager. TAP Investment Management is an exempted company incorporated in the Cayman Islands with limited liability. The directors of TAP Investment Management have extensive experience in management, financial markets and investments. The purpose of TAP Fund is to carry on the business of investing, holding, monitoring and realising private debt investments with the objective of seeking fixed income returns with a reasonable degree of security. The investment can be secured or unsecured and in form of loans and/or debt instruments including but not limited to convertible or exchangeable bonds, notes and debentures.

The TAP Fund was redeemed on 24 January 2020 and distribution would be made no later than 90 days following receipt of the proceeds of the realization of the TAP Fund. In view of the outbreak of novel coronavirus in 2020 caused a global economic slowdown, the Group and TAP SPC mutually agreed to further extend the settlement of disposition proceeds to 30 October 2020.

PROSPECTS

The worldwide prevalence of the COVID-19 pandemic has affected every sector across the globe, and the hotel hospitality business is among the hardest hit.

Given the outbreak and widespread of the COVID-19 in early 2020, the Japanese Government adopted the border enforcement measures, including in particular, the denial of permission to entry for foreign nationals from 146 countries or regions and the quarantine measures. As a direct result, there is a drastic decrease in the number of visitors to Japan in 2020.

Despite the COVID-19 pandemic, the Group is still optimistic about the prospects of the hotel hospitality business in Japan with reference to: (i) the policy adopted by the Japanese Government in promoting the tourism in Japan with an aim to attract approximately 60 million international visitors to Japan in 2030; (ii) the Tokyo Olympics which has been re-scheduled to take place in the summer of 2021 that the number of international visitors would be increased; (iii) Niseko (where the Resort Towers is located) as a premium skiing and sightseeing destination; and (iv) the passing of the integrated resort law in Japan in 2018 and the fact that the availability of integrated casino resorts in Japan in future will attract more tourists travelling to Japan.

Although the businesses of the Group had been disrupted by the COVID-19 pandemic, the impact of the pandemic should be temporary. Given that the COVID-19 vaccine candidates are already on trial phase and may be available by end of 2020 or early 2021, the Directors are confident in the future prospects of the businesses of the Group, especially the hotel hospitality business. In the meanwhile, the Group will grasp investment opportunities to diversify the Group's business and, at the same time, strive to control the costs to maintain stable return to the shareholders of the Company.

Furthermore, the Board expects that the qualified opinion in relation to the corresponding figures of the intangible assets of the new energy business would be removed in the coming financial year.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 30 June 2020 (2019: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 30 June 2020, the Group recorded cash and bank balances (including pledged bank balances) amounting to approximately HK$360.2 million (2019: approximately HK$304.3 million) and the net current assets value was approximately HK$473.3 million (2019: approximately HK$512.6 million).

The Group's gearing ratio as at 30 June 2020 was approximately 0.18 (2019: approximately 0.14), being a ratio of total debts, including borrowings of approximately HK$140.7 million (2019: approximately HK$139.7 million) to the total equity of approximately HK$791.7 million (2019: approximately HK$966.6 million).

USE OF PROCEEDS FROM RIGHTS ISSUE

The Company completed a rights issue on 13 June 2018, pursuant to which the Company has issued 10,463,687,800 ordinary shares of the Company of HK$0.05 each as rights shares at HK$0.052 per rights share on the basis of two rights shares for every one existing share held on 18 May 2018. The net proceeds from the rights issue (after deducting the expenses) were approximately HK$523.6 million. The net subscription price per rights share after deducting the related expenses of the rights issue was approximately HK$0.050.

As set out in the announcements of the Company dated 10 August 2018 and 17 January 2019, the Board resolved to change in use of the net proceeds from the rights issue. The proposed allocation of the net proceeds as stated in the prospectus of the Company dated 21 May 2018 (the "Planned Use of Net Proceeds"), the revised allocation of the net proceeds (the "Revised Use of Net Proceeds"), the utilisation of net proceeds as at 30 June 2020 (the "Utilisation of Net Proceeds") and the remaining balance of the net proceeds are set out below:

Intended use	**Planned Use of Net Proceeds** *HK$ million*	**Revised Use of Net Proceeds** *HK$ million*	**Utilisation of Net Proceeds** *HK$ million*	**Remaining balance** *HK$ million*
Repayment of outstanding borrowings	193.9	193.9	65.5	128.4 *(Note 1)*
Contribution to the facility to be made available to a joint venture company formed with Zhongke International Capital Limited	196.0	–	–	–
Expansion of the Group's money lending business	100.0	111.3	111.3	–
Future potential investments and/or general working capital	33.7	218.4	185.7	32.7 *(Note 2)*
Total	523.6	523.6	362.5	161.1

Notes:

1. It is expected that the remaining balance would be utilised on or before 30 December 2021. The Company has been discussing with the bank in Japan for early repayment of the bank loan since the completion of the rights issue and in the hope of reaching a consensus with the bank before making the early repayment of the bank loan in order to maintain a good relationship with the bank. If a consensus on early repayment of the bank loan can be reached with the bank, the remaining balance of the net proceeds allocated for repayment of outstanding borrowings would be utilised for early repayment of the outstanding bank loan. If a consensus on early repayment of the bank loan cannot be reached with the bank, the remaining balance of the net proceeds allocated for repayment of outstanding borrowings would be utilised for repayment of the remaining instalments of the outstanding bank loan with the last instalment of the outstanding bank loan to be repaid in December 2021.

2. It is expected that the remaining balance would be utilised on or before 30 June 2021.

The unutilised net proceeds have been placed as the interest bearing deposits with licensed banks in Hong Kong.

PLEDGE OF ASSETS

As at 30 June 2020, the Group pledged hotel land and building in Japan with an aggregated carrying value of approximately HK$407.1 million (2019: approximately HK$483.0 million), investment property in Hong Kong with an aggregate carrying value of approximately HK$19.4 million (2019: Nil), bank deposits of approximately HK$6.1 million (2019: approximately HK$1.9 million) and the entire equity interest of certain subsidiaries of the Company to secure borrowing facilities of the Group.

CAPITAL STRUCTURE

During the year ended 30 June 2020, 178,637,102 share options were cancelled or lapsed.

Save as disclosed above, the Company had no other changes in capital structure during the year ended 30 June 2020.

INVESTMENT POSITION AND PLANNING

Financial Assets at Fair Value through Profit or Loss

As at 30 June 2020, the Group had invested in one unlisted private fund with carrying amount of approximately HK$58.8 million (2019: two unlisted private funds with aggregate carrying amount of approximately HK$110.0 million). The purpose of the fund portfolio is to carry on the business of investing, holding, monitoring and realising the equity investments and/or debt instruments from the financial services, natural resources and/or property investment sectors. The value of fund portfolio was based on fair value.

Settlement Deed and Supplemental Settlement Deeds in relation to the Profit Guarantee Compensation

With reference to the Company's announcements dated 26 April 2015 and 29 May 2015 in relation to the acquisition of the electric cycles business, Mr. Lee Man Bun ("Mr. Lee") as the vendor irrevocably warranted and guaranteed to the Company that the after-tax audited consolidated net profit of the electric cycles business for the year ended 30 June 2016 shall not be less than HK$100,000,000 (the "Guaranteed Net Profit").

In the event that the electric cycles business cannot achieve the Guaranteed Net Profit, Mr. Lee has irrevocably undertaken to the Company to pay to the Company in cash within 10 business days from the date of receipt of the certificate from the auditors of the Company an amount equal to the shortfall (the "Profit Guarantee Compensation").

In view of the loss recorded for the year ended 30 June 2016 of the electric cycles business, Mr. Lee had been requested to settle the Profit Guarantee Compensation of HK$100,000,000. After arm's length negotiations, on 26 September 2016, Mr. Lee and the Company entered into a settlement deed regarding the settlement of the Profit Guarantee Compensation of HK$100,000,000 and the additional amount of compensation of HK$850,000, in which HK$70,700,000 was settled by Mr. Lee on 27 September 2016 and 21 September 2017.

Pursuant to the supplemental settlement deed entered into between Mr. Lee and the Company on 28 September 2018, Mr. Lee shall pay HK$30,650,000 (being the sum of the outstanding settlement payment of HK$30,150,000 and the additional amount of compensation of HK$500,000) to the Company in the following manner: (a) HK$10,000,000 shall be paid to the Company on the date of the supplemental settlement deed; and (b) HK$20,650,000 shall be paid to the Company on or before 31 March 2019. The amount of HK$10,000,000 was received by the Company pursuant to the terms of the supplemental settlement deed. The amount of HK$20,650,000 was still outstanding as at 30 June 2019.

Pursuant to the second supplemental settlement deed entered into between Mr. Lee and the Company on 27 September 2019, Mr. Lee shall pay HK$21,050,000 (being the sum of the outstanding settlement payment of HK$20,650,000 and the additional amount of compensation of HK$400,000) to the Company in the following manner: (a) HK$10,000,000 shall be paid to the Company on the date of the second supplemental settlement deed; and (b) HK$11,050,000 shall be paid to the Company on or before 30 September 2020. The Company received HK$10,000,000 from Mr. Lee on 27 September 2019.

Pursuant to the third supplemental settlement deed entered into between Mr. Lee and the Company on 16 September 2020, Mr. Lee shall pay HK$11,220,000 (being the sum of the outstanding settlement payment of HK$11,050,000 and the additional amount of compensation of HK$170,000) to the Company in the following manner: (a) HK$2,500,000 shall be paid to the Company on the date of the third supplemental settlement deed; and (b) HK$8,720,000 shall be paid to the Company on or before 30 September 2021. The Company received HK$2,500,000 from Mr. Lee on 16 September 2020.

Details of the settlement deed and supplemental settlement deeds are set out in the Company's announcements dated 26 September 2016, 28 September 2018, 27 September 2019 and 16 September 2020.

Disposal of a Land in the PRC

On 7 September 2017, Advanced System Group Limited, wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement (the "PRC Land Disposal Agreement") with an independent third party as purchaser. Pursuant to the PRC Land Disposal Agreement, the purchaser agreed to acquire and the vendor agreed to sell the entire issued share capital of Miracle True Investment Limited and its subsidiary in the PRC, which holds a land in Huizhou City, Guangdong Province, the PRC, and the shareholder's loan in cash at a consideration of HK$11,000,000, in which HK$550,000 had been received on 7 September 2017 and the remaining balance of HK$10,450,000 would be payable by the purchaser within six months from the date of the PRC Land Disposal Agreement. On 7 February 2018, 31 January 2019 and 31 July 2019, the vendor and the purchaser confirmed their mutual agreement to extend the long stop date to 31 January 2019, 31 July 2019 and 31 December 2019 respectively or such other date as the vendor and the purchaser may agree in writing. On 30 April 2019, the purchaser further paid to the vendor HK$450,000.

On 16 December 2019, the vendor and the purchaser entered into a supplemental agreement, pursuant to which HK$3,000,000 was paid by the purchaser to the vendor on or before 31 December 2019 and the remaining balance of HK$7,000,000 shall be payable by the purchaser to the vendor within twelve months from the completion date. A share charge was given by the purchaser in favour of the vendor pursuant to which the purchaser created a first fixed charge over the entire issued shares of Miracle True Investment Limited. The disposal was completed on 30 December 2019.

The disposal was classified as a non-disclosable transaction under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Disposal of 49% Equity Interest in Perfect Essential Holdings Limited and Deed of Settlement

On 4 April 2018, the Company as vendor, Excellent Point Asia Limited as purchaser and Mr. Zhu Yongjun as guarantor entered into the SPA, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to purchase the 49 issued shares of US$1.00 each in the share capital of Perfect Essential Holdings Limited, representing 49% of the issued share capital of the Target Company, and the sale loans to be assigned by the vendor to the purchaser, subject to the terms and conditions of the SPA at a total consideration of HK$64,484,382.2.

Pursuant to the SPA, the purchaser and the vendor shall enter into the option deed in respect of the grant of the call option upon the first completion, pursuant to which the vendor shall grant the purchaser the right to acquire all but not part of the option shares, representing 51% of the issued share capital of the Target Company, and the option loan, within six months from the first completion date.

The first and second completion took place on 18 July 2018 and 31 October 2018 respectively in accordance with the terms and conditions of the SPA. Immediately upon the first completion, the Company held 51% equity interest of the Target Company and the Target Group became non-wholly-owned subsidiaries of the Company.

On 16 January 2019, the Company received a written notice from the purchaser that the purchaser has waived the right to exercise the call option. As such, the call option will not be exercised by the purchaser.

On 27 February 2019, the Company, the purchaser and the guarantor entered into an extension letter to extend the third completion date to not later than 17 April 2019 (or such other date as the Company, the purchaser and the guarantor may agree in writing) (the "Extended Third Completion Date"), and the purchaser undertakes to pay to the Company the third tranche payment together with interest accrued on the third tranche payment at the rate of 12% per annum on or before the Extended Third Completion Date.

On 17 April 2019, the Company did not receive the relevant instalments of the consideration for the third completion and the fourth completion, therefore, the third completion and the fourth completion did not take place. The Company had also received a notice from the purchaser that the purchaser was considering the possibility of not proceeding with the third completion, the fourth completion and the fifth completion.

On 15 July 2019, the Company, the purchaser and the guarantor entered into the Deed of Settlement to set out the terms and conditions for the settlement of the payment obligations and liabilities of the purchaser under the third completion, fourth completion and fifth completion. Pursuant to the Deed of Settlement, (i) the purchaser shall transfer 21.75% of the issued share capital of the Target Company to the Company and assign part of the purchaser's shareholder loan at the consideration of HK$1,220,991.5; (ii) the purchaser shall pay to the Company the sum of HK$1,220,991.5 by way of set-off against the Assigned Amount Consideration on a dollar-for dollar basis; and (iii) the guarantor shall enter into a service agreement with the Target Company as a consultant for a service fee of HK$1 for the whole term.

The completion took place on 21 November 2019. Immediately after the completion, the Company holds 72.75% equity interest in the Target Company and the Target Company continues to be a non-wholly-owned subsidiary of the Company. The assigned amount in the sum of HK$1,220,991.50 has been assigned to the Company on 21 November 2019.

Details of the transaction are set out in the Company's announcements dated 4 April 2018, 26 April 2018, 11 May 2018, 8 June 2018, 16 July 2018, 18 July 2018, 18 October 2018, 31 October 2018, 16 January 2019, 27 February 2019, 17 April 2019, 15 July 2019, 5 August 2019, 16 August 2019, 19 August 2019, 2 September 2019, 16 September 2019, 30 September 2019, 14 October 2019 and 21 November 2019 and the Company's circulars dated 25 June 2018 and 25 October 2019.

Acquisition of Property and Disposal of Property Holding Company

On 29 January 2019, Rich Shine Development Limited, a wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement with Tang Nanjun and Tang Yilin as vendors pursuant to which the purchaser agreed to acquire and the vendors agreed to sell a property in Hong Kong (the "Property") at a consideration of HK$80,000,000. The acquisition of the Property was completed on 6 March 2019.

Details of the acquisition are set out in the Company's announcement dated 29 January 2019.

On 25 April 2019, the Company, as vendor, entered into the provisional sale and purchase agreement with Team Eight Group Limited as purchaser, pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to acquire (i) the entire issued share capital of Rich Shine Development Limited which held the Property; and (ii) the sale loan, at the consideration of HK$82,820,000. The completion of disposal took place on 13 August 2019.

Details of the disposal are set out in the Company's announcements dated 25 April 2019, 29 July 2019 and 13 August 2019.

Acquisition of Hong Kong Property

On 24 October 2019, Mach Express Development Limited, a wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement with Mason Capital Limited as vendor pursuant to which the purchaser agreed to acquire and the vendor agreed to sell the entire issue share capital of Goldkeen Limited which hold a property in Hong Kong and the loan due at a consideration of HK$7,000,000. The acquisition was completed on 31 October 2019.

The acquisition was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Acquisition of 31.2% Issued Share Capital of Ming Fong Group Limited

On 24 October 2019, Advanced System Group Limited, a wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement with Mr. Wong Tai Wai, David as vendor pursuant to which the purchaser agreed to acquire and the vendor agreed to sell 31.2% issued share capital of Ming Fong Group Limited which together with its subsidiaries, engaged in manufacturing and selling of ink and packaging materials at a consideration of HK$15,600,000. The acquisition of the 31.2% issued share capital of Ming Fong Group Limited was completed on 14 November 2019.

The acquisition was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Disposal of 國溢商貿(四川)有限公司 (in English, for identification purpose only, "Guoyi Trading (Sichuan) Limited") ("Guoyi Trading")

On 25 November 2019, a wholly-owned subsidiary of the Company as vendor entered into a share transfer agreement with an independent third party as purchaser, pursuant to which the vendor agreed to sell and the purchaser agreed to acquire the entire equity interest of Guoyi Trading, which was engaged in investment holding, at a consideration of RMB500. The disposal was completed on 4 December 2019.

The disposal was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Extension of the Term of the Investment in the Fund

On 27 December 2019, Alliance Global Limited, a wholly-owned subsidiary of the Company, gave the consent to TAR SPC for the extension of the term of the investment of HK$50,000,000 in the TAR Fund by way of the subscription for a further term of one year which may be further extended by the directors of TAR SPC for up to two consecutive one-year periods thereafter.

Details of the extension are set out in the Company's announcements dated 27 December 2019 and 14 January 2020.

Acquisition of Certain Shares in and the Sale Loan Owed by Colour Palace Investments Limited

On 20 March 2020, the Company as purchaser and Imperial Pacific International Holdings Limited as vendor entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire and the vendor conditionally agreed to sell 7,000 shares, representing 70% of the entire issued share capital of Colour Palace Investments Limited, and the sale loan at the consideration of HK$54,000,000. The consideration of HK$54,000,000 shall be set-off with the part of the debt owed by the vendor to DeTai Finance Limited, a wholly-owned subsidiary of the Company. Colour Palace Investments Limited together with its subsidiary are the holder of the leasehold interest in the property located in Saipan which comprises a low-rise residential development accommodating 60 residential apartment units with ancillary facilities such as restaurant, office premises, warehouse etc.

As some of the conditions have yet to be satisfied, the Company is in discussion with the vendor about the appropriate actions to be taken in respect of the transactions.

Details of the acquisition are set out in the Company's announcements dated 20 March 2020 and 31 July 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities (2019: Nil).

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had no significant capital commitments (2019: Nil).

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, Swedish Krona and Japanese Yen which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had approximately 77 (2019: 82) employees in Hong Kong, the PRC, Japan, Canada and Sweden. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes and share option scheme.

CONNECTED TRANSACTIONS

Save as disclosed, the Company did not have any other connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules for the year ended 30 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "2020 AGM") is scheduled to be held on 4 December 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from 1 December 2020 to 4 December 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order for a shareholder of the Company to be eligible to attend and vote at 2020 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 30 November 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 30 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 30 June 2020, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the following deviations:

Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since the resignation of Mr. Chi Chi Hung, Kenneth in March 2020, the Company does not have any officer with the title of Chief Executive Officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself.

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, 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 the code provision A.4.1 but are subject to retirement by rotation and re-election at annual general meeting in accordance with the bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

Code Provision A.6.7

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Chui Kwong Kau, a non-executive Director, was unable to attend the special general meeting of the Company held on 14 November 2019 as he had other business engagement at the time of such meeting.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the full set of Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of the conduct for securities transactions by directors. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all Directors, the Board confirmed that all Directors had complied with the Model Code regarding directors' securities transactions during the year and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, Mr. Chiu Wai On (the chairman of the Audit Committee), Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The primary duties of the Audit Committee are to (i) review the Group's financial reporting system, the nature and scope of audit review; (ii) review the effectiveness of the system of internal control procedures and risk management and the Company's internal audit function; and (iii) review and monitor the external auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the external auditor and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee meets as and when required to perform its responsibilities and at least twice a year.

The Audit Committee has reviewed the Group's annual results for the year ended 30 June 2020 with the management of the Company and the external auditor, and was of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED ON THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2020 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.detai-group.com). The annual report will be despatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

By order of the Board
DeTai New Energy Group Limited
Wong Hin Shek
Chairman and Executive Director

Hong Kong, 30 September 2020

As at the date of this announcement, the executive Directors are Mr. Wong Hin Shek, Mr. Chan Wai Ki and Mr. Eric Todd; and the independent non-executive Directors are Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.