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WINFULL GROUP HOLDINGS LIMITED
宏輝集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 183)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

FINAL RESULTS

The board of directors (the “Director(s)”) (the “Board”) of Winfull Group Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2020 (the “Year”), together with the comparative figures for the year ended 30 June 2019:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	4	33,730	42,944
Cost of sales		<u>(7,045)</u>	<u>(16,008)</u>
Gross profit		26,685	26,936
Other income	5	36,446	22,840
Administrative expenses and other operating expenses		(25,942)	(31,650)
Fair value (loss)/gain of investment properties		(91,085)	18,968
Fair value (loss)/gain of debt instruments at FVTPL	10	(2,278)	587
Fair value (loss)/gain of financial instruments at FVTPL	10	(33,642)	4,083
Loss on disposal of debt instruments at FVOCI		(460)	(3,870)
Impairment on properties held for trading		(60,315)	–
Gain on disposal of subsidiaries		–	9,055
Finance costs		<u>(3,759)</u>	<u>(2,787)</u>
(Loss)/Profit before income tax	6	(154,350)	44,162
Income tax expense	7	<u>(1,416)</u>	<u>(1,062)</u>
(Loss)/Profit for the year		<u>(155,766)</u>	<u>43,100</u>
(Loss)/Profit for the year attributable to:			
Owners of the Company		(153,375)	42,997
Non-controlling interests		<u>(2,391)</u>	<u>103</u>
		<u>(155,766)</u>	<u>43,100</u>
(Loss)/Earnings per share	9		
– Basic		(HK2.76 cents)	HK0.77 cent
– Diluted		<u>(HK2.75 cents)</u>	<u>HK0.77 cent</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 HK\$'000	2019 HK\$'000
(Loss)/Profit for the year		(155,766)	43,100
Other comprehensive income for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Changes in fair value of equity instruments at FVOCI	10	(3,382)	(895)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of debt instruments at FVOCI	10	702	2,055
Release of FVOCI reserve upon disposal of debt instruments at FVOCI		536	4,167
Exchange differences arising on translation of foreign operations		(475)	2,667
Other comprehensive income for the year, net of tax		(2,619)	7,994
Total comprehensive income for the year		(158,385)	51,094
Total comprehensive income for the year attributable to:			
Owners of the Company		(155,994)	50,991
Non-controlling interests		(2,391)	103
		(158,385)	51,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		97,346	97,230
Investment properties		964,449	1,006,668
Equity instruments at FVOCI	10	32,665	9,145
Financial instruments at FVTPL	10	328,559	288,267
Debt instruments at FVOCI	10	70,593	71,194
Debt instruments at FVTPL	10	19,370	–
Debt instrument at amortised cost	10	4,768	–
Loan receivables		13,626	11,922
Deposits for acquisition of property, plant and equipment		–	3,572
Deposits for acquisition of investment properties		–	3,482
Deposits for acquisition of equity instruments		–	20,399
		1,531,376	1,511,879
Current assets			
Properties held for trading		64,740	160,939
Properties under development		24,420	15,406
Trade receivables	11	1,306	1,579
Prepayments, deposits and other receivables		9,281	8,337
Loan receivables		64,364	31,888
Debt instruments at FVTPL	10	11,482	15,680
Cash and bank balances		132,957	314,412
Pledged bank deposits		225,286	126,729
		533,836	674,970
Current liabilities			
Accrued expenses, other payables and deposits received		10,246	10,095
Borrowings		195,270	156,658
Amounts due to non-controlling shareholders		17,795	17,869
Provision for income tax		26,070	25,136
		249,381	209,758
Net current assets		284,455	465,212
Total assets less current liabilities		1,815,831	1,977,091

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Borrowings	13,349	16,687
Deferred tax liabilities	9,998	9,998
	<u>23,347</u>	<u>26,685</u>
Net assets	<u>1,792,484</u>	<u>1,950,406</u>
EQUITY		
Share capital	55,481	55,481
Reserves	1,740,279	1,895,810
	<u>1,795,760</u>	<u>1,951,291</u>
Equity attributable to owners of the Company	1,795,760	1,951,291
Non-controlling interests	(3,276)	(885)
	<u>1,792,484</u>	<u>1,950,406</u>
Total equity	<u>1,792,484</u>	<u>1,950,406</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Equity attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Share-based payment reserve	FVOCI reserve	Other reserve	Proposed final dividend	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2018	55,481	1,568,267	50	8,728	(4,277)	1,380	10,000	267,710	1,907,339	(988)	1,906,351
2018 final dividend paid (note 8)	-	-	-	-	-	-	(10,000)	-	(10,000)	-	(10,000)
Equity-settled share-based payments	-	-	-	2,961	-	-	-	-	2,961	-	2,961
Lapse of share options	-	-	-	(444)	-	-	-	444	-	-	-
Transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,517</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>444</u>	<u>(7,039)</u>	<u>-</u>	<u>(7,039)</u>
Profit for the year	-	-	-	-	-	-	-	42,997	42,997	103	43,100
Other comprehensive income:											
Changes in fair value of equity instruments at FVOCI (note 10)	-	-	-	-	(895)	-	-	-	(895)	-	(895)
Changes in fair value of debts instruments at FVOCI (note 10)	-	-	-	-	2,055	-	-	-	2,055	-	2,055
Release of FVOCI reserve upon disposals of debts instruments at FVOCI	-	-	-	-	4,167	-	-	-	4,167	-	4,167
Release of FVOCI reserve upon disposals of equity instruments at FVOCI	-	-	-	-	(876)	-	-	876	-	-	-
Exchange differences arising on translation of foreign operations	-	-	2,667	-	-	-	-	-	2,667	-	2,667
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>2,667</u>	<u>-</u>	<u>4,451</u>	<u>-</u>	<u>-</u>	<u>43,873</u>	<u>50,991</u>	<u>103</u>	<u>51,094</u>
At 30 June 2019	<u>55,481</u>	<u>1,568,267</u>	<u>2,717</u>	<u>11,245</u>	<u>174</u>	<u>1,380</u>	<u>-</u>	<u>312,027</u>	<u>1,951,291</u>	<u>(885)</u>	<u>1,950,406</u>

Equity attributable to owners of the Company

	Share capital	Share premium	Translation reserve	Share- based payment reserve	FVOCI reserve	Other reserve	Proposed final dividend	Retained profits	Total	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2019	55,481	1,568,267	2,717	11,245	174	1,380	-	312,027	1,951,291	(885)	1,950,406
Equity-settled share-based payments	-	-	-	463	-	-	-	-	463	-	463
Transactions with owners	-	-	-	463	-	-	-	-	463	-	463
Loss for the year	-	-	-	-	-	-	-	(153,375)	(153,375)	(2,391)	(155,766)
Other comprehensive income:											
Changes in fair value of equity instruments at FVOCI (note 10)	-	-	-	-	(3,382)	-	-	-	(3,382)	-	(3,382)
Changes in fair value of debts instruments at FVOCI (note 10)	-	-	-	-	702	-	-	-	702	-	702
Release of FVOCI reserve upon disposals of debts instruments at FVOCI	-	-	-	-	536	-	-	-	536	-	536
Release of FVOCI reserve upon disposals of equity instruments at FVOCI	-	-	-	-	(311)	-	-	311	-	-	-
Exchange differences arising on translation of foreign operations	-	-	(475)	-	-	-	-	-	(475)	-	(475)
Total comprehensive income for the year	-	-	(475)	-	(2,455)	-	-	(153,064)	(155,994)	(2,391)	(158,385)
At 30 June 2020	55,481	1,568,267	2,242	11,708	(2,281)	1,380	-	158,963	1,795,760	(3,276)	1,792,484

Other reserve represents the difference between the proportionate share of the carrying amount of its subsidiaries' net liabilities, assignment of debt amount and the consideration received for the disposal of a certain interests in subsidiaries that does not result in loss of control.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. GENERAL INFORMATION

Winfull Group Holdings Limited (the “Company”) is an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit A, 6/F, 9 Queen’s Road Central, Hong Kong. The Company’s issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 2 December 2010.

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in the investment, trading and development of property and securities investment and trading. There were no significant changes in the Group’s operation during the year.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) unless otherwise stated.

2. ADOPTION OF NEW AND AMENDED HKFRSs

2.1 Adoption of new and amended HKFRSs – effective 1 July 2019

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 July 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations, HKFRS 11, Joint Arrangements, HKAS 12, Income Taxes and HKAS 23, Borrowing Costs
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 28	Long-term Interests in Associates and Joint Ventures

The adoption of these new and amended HKFRSs does not have significant impact on the Group’s results and financial position for the current and prior periods have been prepared or presented.

HKFRS 16 Leases (“HKFRS 16”)

HKFRS 16 replaces HKAS 17 Leases (“HKAS 17”) and the related interpretations, HK(IFRIC)-4 Determining whether an Arrangement contains a Lease, HK(SIC)-15 Operating Leases – Incentives, and HK(SIC)-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Given the Group does not have any material lease arrangements as a lessee (except for the leasehold properties which the Group is a registered owner of the ownership interests), the Group considers that there is no significant financial impact on the Group’s results (including segment results), financial position and cash flows.

Further details of the nature and effect of the changes to previous accounting policies of the Group upon the adoption of HKFRS 16 are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. The change in the definition of a lease does not have any material impact on the Group’s lease arrangements.

b. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation (“leasehold investment properties”). The adoption of HKFRS 16 does not have a significant impact on the Group’s consolidated financial statements as the Group previously elected to apply HKAS 40 Investment Properties, to account for all of its leasehold properties that were held for investment purposes as at 30 June 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

2.2 New and amended HKFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group. The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 37	Onerous contracts – Cost of Fulfilling a Contract ³
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 16	COVID-19 Related Rent Concession ²
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 1, First-time Adoption of International Financial Reporting Standards, Amendment to HKFRS 9, Financial Instruments, Amendment to illustrative examples accompanying HKFRS 16, Leases, Amendment to HKAS 41, Agriculture 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 Effective for annual periods beginning on or after 1 January 2023

⁵ The amendments were originally intended to be effective for periods beginning on or after 1 July 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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

3. SEGMENT INFORMATION

The executive directors have identified the Group's five (2019: five) product and service lines as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

There was no inter-segment sale and transfer during the year (2019: nil).

	2020					Total HK\$'000
	Property Development Business HK\$'000	Property Investment and Trading Business HK\$'000	Renovation Business HK\$'000	Security Investment and Trading Business HK\$'000	Money Lending Business HK\$'000	
Reportable segment revenue:						
From external customers	–	27,149	–	4,024	2,557	33,730
Reportable segment profit/(loss)	(30,293)	(118,949)	(10)	608	2,234	(146,410)
Bank interest income	1	22	–	6	–	29
Depreciation	–	2,154	–	–	–	2,154
Fair value loss on investment properties	–	(91,085)	–	–	–	(91,085)
Impairment loss on properties held for trading	–	(60,315)	–	–	–	(60,315)
Reportable segment assets	63,193	1,161,510	8	11,918	28,972	1,265,601
Additions to non-current assets	–	17,455	–	–	–	17,455
Reportable segment liabilities	27,241	103,107	17	14	9	130,388
	2019					Total HK\$'000
	Property Development Business HK\$'000	Property Investment and Trading Business HK\$'000	Renovation Business HK\$'000	Security Investment and Trading Business HK\$'000	Money Lending Business HK\$'000	
Reportable segment revenue:						
From external customers	–	27,841	–	14,565	538	42,944
Reportable segment profit/(loss)	(123)	48,425	(17)	1,198	407	49,890
Bank interest income	–	15	1	30	1	47
Depreciation	–	2,154	5	–	–	2,159
Fair value gain on investment properties	–	18,968	–	–	–	18,968
Gain on disposal of subsidiaries	–	9,055	–	–	–	9,055
Reportable segment assets	36,742	1,306,045	9	16,912	10,034	1,369,742
Additions to non-current assets	–	483,289	–	–	–	483,289
Reportable segment liabilities	26,597	108,088	17	6	9	134,717

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	33,730	42,944
Consolidated revenue	<u>33,730</u>	<u>42,944</u>
Profit before income tax		
Reportable segment (loss)/profit	(146,410)	49,890
Fair value (loss)/gain of financial instruments at FVTPL	(3,838)	4,083
Fair value loss of debt instruments at FVOCI	(1,989)	–
Loss on disposal of debt instruments at FVOCI	(460)	(3,870)
Interest income	17,339	17,961
Dividend income	370	535
Exchange losses, net	(2,780)	(2,572)
Equity-settled share-based payment	(463)	(2,961)
Corporate salaries and allowances	(11,413)	(9,955)
Corporate professional fees	(709)	(4,474)
Depreciation on corporate property, plant and equipment	(1,302)	(1,197)
Unallocated corporate income	750	675
Unallocated corporate expenses	(3,445)	(3,953)
Consolidated (loss)/profit before income tax	<u>(154,350)</u>	<u>44,162</u>
Assets		
Reportable segment assets	1,265,601	1,369,742
Property, plant and equipment	14,099	11,829
Equity instruments at FVOCI	32,665	9,145
Financial instruments at FVTPL	290,362	263,491
Debt instruments at FVOCI	70,591	71,194
Debt instruments at FVTPL	19,370	–
Debt instrument at amortised cost	4,768	–
Loan receivables	21,242	21,888
Deposits for acquisition of property, plant and equipment	–	3,572
Corporate cash and bank balances	115,274	303,549
Pledged bank deposits	225,286	126,729
Interest receivables	5,708	5,548
Other corporate assets	246	162
Consolidated total assets	<u>2,065,212</u>	<u>2,186,849</u>
Liabilities		
Reportable segment liabilities	130,388	134,717
Corporate bank borrowings	141,775	101,461
Other corporate liabilities	565	265
Consolidated total liabilities	<u>272,728</u>	<u>236,443</u>

The Group's reportable segment revenue from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customer		Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	29,096	36,223	1,413,827	1,411,811
United Kingdom	3,471	5,983	82,001	80,954
Japan	1,163	738	35,548	19,114
	<u>33,730</u>	<u>42,944</u>	<u>1,531,376</u>	<u>1,511,879</u>

Geographical location of customers is based on the location at which the services were provided and the goods were delivered. Geographical location of non-current assets is based on (i) the physical location of the assets (for property, plant and equipment and investment properties); and (2) location of operations (for financial instruments and loan receivables).

During the year, there was neither revenue from external customers attributable to the Cayman Islands (domicile) (2019: nil) nor non-current assets were located in the Cayman Islands (2019: nil). The country of domicile is the country where the Company was incorporated.

Revenue recognition is as follows:

	Property Development Business		Property Investment and Trading Business		Renovation Business		Security Investment and Trading Business		Money Lending Business		Total	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from leasing	-	-	27,149	27,841	-	-	-	-	-	-	27,149	27,841
Revenue from other sources	-	-	-	-	-	-	4,024	14,565	2,557	538	6,581	15,103
	<u>-</u>	<u>-</u>	<u>27,149</u>	<u>27,841</u>	<u>-</u>	<u>-</u>	<u>4,024</u>	<u>14,565</u>	<u>2,557</u>	<u>538</u>	<u>33,730</u>	<u>42,944</u>

4. REVENUE

The Group's principal activities are disclosed in note 1 to the financial statements. Revenue from the Group's principal activities recognised during the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from other source		
Rental income from investment properties	27,149	27,841
Sale of securities	4,024	14,565
Interest income from money lending	2,557	538
	<u>33,730</u>	<u>42,944</u>

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income	20,659	18,546
Dividend income	370	535
Compensation on surrender of the lease (note)	12,280	–
Rental income from properties held for trading	2,147	3,018
Sundry income	990	741
	<u>36,446</u>	<u>22,840</u>

Note:

On 16 September 2019, the Group entered into a deed of surrender with a former tenant for compensation of early termination of a lease amounted to HK\$12.3 million (equivalent to GBP1.3 million). The compensation has been fully received by the Group as at 30 June 2020.

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/Profit before income tax is arrived at after charging/ (crediting) the following:		
Auditor's remuneration	510	520
Depreciation		
– property, plant and equipment	1,704	3,356
– right-of-use assets included within leasehold properties	1,752	–
Employee costs	12,405	15,090
Exchange loss, net	2,824	2,572
Fair value loss/(gain) on investment properties	91,085	(18,968)
Gain on disposal of subsidiaries	–	(9,055)
Impairment on properties held for trading	60,315	–
Minimum lease payments for leases previously classified as operating leases under HKAS 17	–	262
Direct operating expenses arising from investment properties that generated rental income during the year	2,823	1,532
	<u>2,823</u>	<u>1,532</u>

7. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying group entities in Hong Kong that is taxed at 8.25%, and profits above HK\$2 million is taxed at 16.5%. The profits of group entities in Hong Kong that are not qualifying for the two-tiered profits tax rate regime continue to be taxed at a flat rate of 16.5%. Accordingly, starting from 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million or the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Income tax in the consolidated income statement is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – Hong Kong		
Provision for the year	–	43
Over-provision in respect of prior years	(556)	–
	<u>(556)</u>	<u>43</u>
Current tax – Overseas		
Provision for the year	1,972	1,019
	<u>1,972</u>	<u>1,019</u>
Total income tax expense	<u>1,416</u>	<u>1,062</u>

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/Profit before income tax	<u>(154,350)</u>	<u>44,162</u>
Notional tax on profit or loss before income tax, calculated at the rates applicable to profits in the countries concerned	(24,846)	7,429
Tax effect of non-deductible expenses	26,606	1,704
Tax effect of non-taxable revenue	(4,024)	(7,987)
Tax effect of temporary difference not recognised	215	363
Tax effect of prior year's unrecognised tax loss utilised this year	(2,025)	(547)
Tax effect of unused tax losses not recognised	6,046	100
Over-provision in prior years	<u>(556)</u>	<u>–</u>
Income tax expense	<u>1,416</u>	<u>1,062</u>

8. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
No final dividend paid in respect of prior year (2019: HK\$0.18 cent per share)	<u>–</u>	<u>10,000</u>

For the years ended 30 June 2020 and 2019, the directors do not recommend the payment of a final dividend.

9. (LOSS)/EARNINGS PER SHARE

Calculation of basic and diluted (loss)/earnings per share is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/Profit for year attributable to owners of the Company	<u>(153,375)</u>	<u>42,997</u>
	Number of shares	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	5,548,126	5,548,126
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	<u>20,243</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>5,568,369</u>	<u>5,548,126</u>

In 2019, the computation of diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding share options because the exercise prices of those share options were higher than the average market price of the Company's shares.

10. OTHER FINANCIAL ASSETS

	Measured at FVOCI		Measured at FVTPL		Measured at amortised cost	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current						
Equity instruments (<i>note</i>)						
– Listed in Hong Kong*	7,995	9,145	–	–	–	–
– Listed outside Hong Kong*	24,670	–	–	–	–	–
	<u>32,665</u>	<u>9,145</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Financial instruments						
– Unlisted in Hong Kong [^]	–	–	38,197	–	–	–
– Unlisted outside Hong Kong [^]	–	–	77,564	90,055	–	–
– Unlisted investment funds [#]	–	–	212,798	198,212	–	–
	<u>–</u>	<u>–</u>	<u>328,559</u>	<u>288,267</u>	<u>–</u>	<u>–</u>
Debt instruments						
– Listed in Hong Kong*	56,699	28,980	–	–	–	–
– Listed outside Hong Kong*	13,894	42,214	–	–	–	–
– Unlisted outside Hong Kong [@]	–	–	19,370	–	4,768	–
	<u>70,593</u>	<u>71,194</u>	<u>19,370</u>	<u>–</u>	<u>4,768</u>	<u>–</u>
	<u>103,258</u>	<u>80,339</u>	<u>347,929</u>	<u>288,267</u>	<u>4,768</u>	<u>–</u>
Current						
Debt instruments						
– Listed in Hong Kong*	–	–	3,878	7,844	–	–
– Listed outside Hong Kong*	–	–	7,604	7,836	–	–
	<u>–</u>	<u>–</u>	<u>11,482</u>	<u>15,680</u>	<u>–</u>	<u>–</u>

Note:

These equity instruments were irrevocably designated at FVOCI as the directors of the Company consider these investments to be strategic in nature.

Movements in other financial assets are summarised as follows:

	Equity instruments at FVOCI		Debt instruments at FVOCI		Debt instruments at FVTPL		Debt instrument at amortised cost		Financial instruments at FVTPL	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Net carrying amount at beginning of the year	9,145	15,430	71,194	104,348	15,680	-	-	-	288,267	128,647
Additions	33,442	-	41,077	26,933	21,358	29,454	4,967	-	164,731	168,011
Disposals	(6,540)	(5,390)	(42,380)	(62,142)	(3,908)	(14,362)	-	-	(87,672)	(10,722)
Changes in fair value (debited)/ credited to profit or loss	-	-	-	-	(2,278)	587	-	-	(33,642)	4,083
Changes in fair value (debited)/ credited to FVOCI reserve	(3,382)	(895)	702	2,055	-	-	-	-	-	-
Exchange difference	-	-	-	-	-	1	(199)	-	(3,125)	(1,752)
Net carrying amount at end of the year	32,665	9,145	70,593	71,194	30,852	15,680	4,768	-	328,559	288,267

* These financial assets are measured at fair value which has been determined directly by reference to published price and quotations in active markets (2019: same).

^ These financial assets are measured at fair value which has been determined by reference to the fair values of the underlying assets and liabilities of each instrument (2019: same).

Among these financial assets, amount of HK\$73,199,000 (2019: HK\$74,557,000) is measured at fair value which has been determined directly by reference to published price and quotations in active markets and amount of HK\$139,599,000 (2019: HK\$123,655,000) is measured at fair value which has been determined by reference to the fair values of the underlying assets and liabilities of each instrument, respectively (2019: same).

@ Amount of HK\$19,370,000 (2019: nil) is measured at fair value which has been determined by discounted cash flow method and amount of HK\$4,768,000 (2019: nil) is measured at amortised cost.

As at 30 June 2020 and 2019, debt instruments measured at FVOCI and debt instrument measured at amortised cost were determined to be impaired. As at 30 June 2020 and 2019, no debt instruments measured at FVOCI and debt instrument measured at amortised cost were impaired.

11. TRADE RECEIVABLES

The Group generally allowed a credit period of 1 month (2019: 1 month) to its trade customers.

Based on the invoice dates, all trade receivables as at 30 June 2020 and 2019 were aged within 90 days.

All trade receivables are subject to credit risk exposure. Impairment on trade receivables is recognised when debts are expected to be irrecoverable for the years ended 30 June 2020 and 2019 respectively.

Based on the due dates, no trade receivables as at 30 June 2020 and 2019 was past due nor impaired.

As at 30 June 2020, there was no amount denominated in a currency other than the functional currency of the entity to which they relate (2019: nil).

Receivables that were neither past due nor impaired were due from the customers for whom there was no recent history of default.

The directors of the Company consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in investment, trading and development of properties and securities investment and trading.

During the Year, the Group was engaged in one property development project in United Kingdom (the “UK”). It has ten investment properties, which are commercial, industrial and residential properties located in Hong Kong, the UK and Japan, and two trading properties, which are commercial properties in Hong Kong.

Hong Kong’s economy contracted for the Year and remained very weak, especially after the third quarter of the Year. The rapid spread of the coronavirus disease (“COVID-19”) to most parts of the world and the resultant stringent restrictive measures imposed by the governments concerned dealt a heavy blow to global and local economic activities. Real gross domestic product fell sharply. As regards domestic demand, private consumption expenditure fell at a record pace due to social distancing requirements and travel restrictions, while overall investment expenditure continued to tumble amid negative business sentiment and subdued private construction activity. The global economic fallout of the COVID-19 pandemic turned more severe in the third quarter. Many major economies including United States (the “US”) and euro area contracted at an unprecedented pace. In the last quarter, global economic sentiment improved and the US and the euro area economies showed signs of bottoming out, as the epidemic situation in many places abated and most governments gradually reopened their economies.

The residential property market turned active in the last quarter of the Year, supported by declining interest rates amid massive monetary stimuli around the world and the gradual stabilisation of the local COVID-19 situation during the quarter. Trading activities picked up notably from a very low level in the second quarter, while flat prices recorded a moderate increase in the last quarter. Reflecting the government’s sustained efforts to increase land and flat supply, total private flat supply in the coming three to four years would stay at a high level of 92,000 units. The commercial and industrial property markets stayed subdued in the last quarter amid austere local economic conditions. Trading activities remained quiet, though rebounding somewhat from the extremely low levels in the third quarter. Prices and rentals for major market segments remained generally soft. Prices and rentals of retail shop space both decreased amid the continued weakness in the retail trade.

FINANCIAL REVIEW

For the Year, the Group recorded a turnover of approximately HK\$33,730,000, representing a decrease of approximately 21% compared with that of approximately HK\$42,944,000 for the last financial year. The decrease in turnover was mainly attributed to the decrease in turnover from the securities trading business for the Year.

Loss before income tax of the Group for the Year was approximately HK\$154,350,000, while there was a profit before income tax of approximately HK\$44,162,000 for the last financial year. The loss for the Year was mainly attributable to fair value loss on investment properties and financial instruments at fair value through profit or loss (“FVTPL”) and impairment loss on properties held for trading.

BUSINESS OVERVIEW

Property Development Business

During the Year, the Group is engaged in one property development project, which is located in Birmingham, the UK.

It is a property development project at 50 School Road, Moseley, Birmingham, the UK. The project has a site area of 15,800 square feet and it can be developed into a residential building with gross floor area of approximately 12,000 square feet. The acquisition of the land was completed on 26 October 2018 and the development planning has been completed in the last financial year. Due to the effect of COVID-19, the development has been delayed and is expected to be completed in the last quarter of 2020.

The Group considers that this development project in the UK provides a good opportunity for the Group to diversify its overall property portfolio and gain more experience in property development in the UK. The Group will continue to explore potential property development opportunities both in Hong Kong and overseas, to enhance the benefit of the Shareholders while overcoming the challenges ahead.

Property Investment and Trading

During the Year, the Group has twelve commercial, industrial and residential properties for investment and trading purposes, which are located in Hong Kong, one commercial property in Cardiff, the UK and two serviced apartments in Hokkaido, Japan, for investment purpose.

Whole floor of 9 Queen’s Road Central

The property is located at the 6th Floor of 9 Queen’s Road Central, Hong Kong. It is a commercial property with gross floor area of approximately 13,700 square feet. A portion of the property is currently used by the Group for its own office, while the remaining portion has been rented out to various independent third parties for rental income. The Group believes that the property can provide a stable income with the long term appreciation in value.

Retail Shop Units at Grand Scholar, No. 419K Queen’s Road West

The property is located at Grand Scholar, No. 419K Queen’s Road West, Hong Kong. It consists of two shops, including shops on ground floor and on lower ground 1st floor. The property has a total gross floor area of approximately 10,300 square feet and has been leased to a church for a fixed term of three years. The Group believes that the property can provide a stable future income for the Group.

Whole Floor of Kenning Industrial Building at 19 Wang Hoi Road, Kowloon Bay

The property is located at 4th Floor of Kenning Industrial Building, No. 19 Wang Hoi Road, Kowloon Bay, Hong Kong in proximity to the Kowloon Bay MTR station. The property has a total gross floor area of approximately 16,500 square feet and most of the units of the property has been leased during the Year. The Group believes that the property can provide a stable future income and long term appreciation in value.

Atlantic House at Cardiff, United Kingdom

The property is located at Cardiff, the UK with a total net floor area of approximately 42,000 square feet. The property consists of two office buildings. The east wing is currently leased to a local law firm for a term of fifteen years, which will be expired in 2026. The west wing is under refurbishment now. Due to the effect of COVID-19, the tendering of refurbishment has been delayed and it is expected to be completed in early 2021. Cardiff is the principal office market within Wales and one of the major regional centres in the UK. The Group believes that it is a good opportunity for holding the property for long term investment purpose and diversification of the property portfolio.

Office units and carpark space of Universal Trade Centre at 3 Arbuthnot Road

The 4 office units are located on 30th and 13th floors of Universal Trade Centre, No. 3 Arbuthnot Road, Central, Hong Kong. They have a total gross floor area of approximately 5,600 square feet. The office units have all been leased to independent third parties. The lease for units on 30th floor has expired in August 2020 and it is now looking for new tenant.

Office unit of Arion Commercial Centre at 2–12 Queen's Road West

The property is located at Arion Commercial Centre at 2–12 Queen's Road West, Hong Kong and has a gross floor area of approximately 1,650 square feet. This office unit has been leased to a translation company, which is wholly-owned by Mr. Pong Wilson Wai San ("Mr. Pong"), with monthly rent of HK\$46,000. The rent was determined after arm's length negotiation with reference to the monthly rental of other similar premises in the Hong Kong market and the professional valuation report.

Whole office floor of Far East Consortium Building at 121 Des Voeux Road Central

The property is a whole floor office unit located on 15th Floor of Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, which is an office building in Central district, with a gross floor area of approximately 7,300 square feet. This property has been leased to a financial printing company which is wholly-owned by Mr. Pong with monthly rent of HK\$233,000. The rent was determined after arm's length negotiation with reference to the monthly rental of other similar premises in the Hong Kong market and the professional valuation report. Further details of this transaction can be referred to our announcement dated 21 September 2020.

Roof of Block C of Sea View Estate, North Point

This property is located at the front portion of the roof of Sea View Estate in North Point, which is facing the South of Victoria Harbour in Hong Kong Island. The Group believes that it can be converted into an eye-catching rooftop advertising signage of approximately 300 square meters. The Group has engaged an advertising agent in looking for appropriate potential tenant for the signage.

Shops and signage at Lime Stardom Tai Kok Tsui

Two retail shops and 2 signages were acquired by the Group for trading purpose. The shops are located at Lime Stardom, Tai Kok Tsui with outstanding features, such as curtain wall design and high ceiling. Hotels and shopping malls are within the proximity, together with the upcoming redevelopment and residential projects in the neighborhood. Tai Kok Tsui will definitely become one of the new focuses of the city with high growth potential. In view of this, those properties are acquired for short-term trading purpose. The shops have been leased to independent third parties with acceptable yield.

Service Apartments in Hokkaido Japan

Two serviced apartments in Niseko, Hokkaido, Japan, were acquired by the Group. One of the apartments is in Skye Niseko at Upper Hirafu Village, while the other is in Hanazono. Both of them are brand new serviced apartments with ski-in ski-out access to ski resorts and full range of hotel services. They are managed by premier asset managers with expertise and experience in effectively managing hospitality and tourism in Niseko. Both apartments are benefited by increasing inbound tourism in Japan and garnering Japan and international interest for Niseko's ski resort. The Group believes that it is a good opportunity for investing in Japan real estate for long term investment and diversification of the property portfolio.

Despite the effect of COVID-19, the Group is optimistic about the prospect of the commercial and industrial property market in Hong Kong, the UK and Japan in the long run. It considers that the properties represent a good investment opportunity and the Group will benefit from the long term appreciation of the property prices.

During the Year, the segment of property investment and trading business recorded a total rental income of approximately HK\$29,296,000 (2019: approximately HK\$30,859,000), including revenue of approximately HK\$27,149,000 (2019: approximately HK\$27,841,000) and rental income in other income of approximately HK\$2,147,000 (2019: approximately HK\$3,018,000). This segment is expected to provide a significant and steady income source to the Group.

Securities Investment and Trading

The Group maintains a portfolio of equities, bonds and other investments products which generate steady income with potential of capital appreciation. The Group has taken into account of the following criteria when determining whether to take up an investment and trading opportunity: (i) potential for return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

During the Year, the Group recorded a loss in fair value of debt instruments at FVTPL of approximately HK\$289,000 (2019: gain of approximately HK\$587,000).

The Group reported a segment profit of approximately HK\$608,000 (2019: approximately HK\$1,198,000) during the Year. The Group received interest income from those bond investments for this segment of approximately HK\$788,000 (2019: approximately HK\$449,000) during the Year. As at 30 June 2020, the carrying amount of the investments for this segment amounted to approximately HK\$11,482,000 (2019: approximately HK\$15,680,000). This value represents an investment portfolio comprising 4 bond investments.

Loan Financing

During the Year, the Group recorded an interest income from the loan financing business amounting to approximately HK\$2,557,000 (2019: approximately HK\$538,000), representing approximately 8% (2019: 1%) of the total revenue of the Group. Profit derived from loan financing business was approximately HK\$2,234,000 (2019: approximately HK\$407,000) for the Year. The carrying amount of loans receivable as at 30 June 2020 was approximately HK\$27,300,000 (2019: approximately HK\$10,000,000).

PROSPECTS

Looking forward, we expect the global economy to face more severe challenges. Due to heightened geopolitical risks worldwide, a slowdown in global economic growth and the COVID-19 pandemic, we expect Hong Kong's markets to suffer from dampened investor sentiment and the global economy to experience a significant shock.

In addition, the recent outbreak of COVID-19 has already severely affected Hong Kong's retail, tourism and catering industries, leading to an increase in the unemployment rate and heightened potential economic downside pressures. As such, Hong Kong is facing unprecedented challenges. It is expected that conditions in both the wider local economy and the property leasing market will remain weak and are unlikely to fully recover in the short term, placing the Group's future performance under greater pressure and uncertainty.

Despite the uncertainties in Hong Kong and global economy, we expect the local economy to gradually stabilise once the epidemic ends and Hong Kong will remain relevant and vital in its own right and as part of China, given the mature and healthy nature of Hong Kong's investment environment combined with the potential opportunities for Hong Kong to capitalise on its competitive advantages in the Greater Bay Area. The Group maintains a cautiously optimistic view on the property market and we are confident that we will be able to tackle the diverse challenges ahead.

The Group will continue to adopt a prudent approach on acquiring and disposing properties. In addition, the Group will continue to look for potential investment properties and development projects for recurring income and capital appreciation, at the same time expanding its securities investment and trading business and loan financing business for the growth of its stable recurring income. These strategies are intended to enable the Group to maintain its competitiveness thereby ensuring the Group's sustainability and securing the Shareholders' benefits.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, the Group had net current assets of approximately HK\$284,455,000 (2019: approximately HK\$465,212,000) including cash and bank balances of approximately HK\$132,957,000 (2019: approximately HK\$314,412,000).

The gearing ratio was approximately 10% (2019: approximately 8%) as at 30 June 2020. The gearing ratio is derived by dividing the total of borrowings by total assets. The gearing ratio has increased for the Year when compared to 30 June 2019 due to borrowing of more foreign loans for overseas investments during the Year.

During the Year, the Group financed its operations with its own working capital and bank borrowings. As at 30 June 2020, the secured bank borrowing of the Group was approximately HK\$208,619,000 (2019: approximately HK\$173,345,000), in which approximately HK\$205,949,000 (2019: approximately HK\$126,137,000) are repayable within a period of not exceeding 5 years and approximately HK\$2,670,000 (2019: approximately HK\$47,208,000) are repayable beyond 5 years, and there was no other borrowing as at 30 June 2020 (2019: Nil).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Year, those securities investments held by the Group are as follows:

	Cost as at 30 June 2020 HK\$'000	Carrying amount as at 30 June 2020 HK\$'000	Outstanding commitment as at 30 June 2020 HK\$'000	Total of carrying amount and commitment as at 30 June 2020 HK\$'000	Gain/(loss) in fair value during the Year HK\$'000	Gain/(loss) on disposal during the Year HK\$'000	Dividends/ interests received during the Year HK\$'000
<i>NON-CURRENT</i>							
Equity instruments at fair value through other comprehensive income							
Listed in Hong Kong	8,070	7,995	–	7,995	(839)	–	370
Listed outside Hong Kong	27,213	24,670	–	24,670	(2,543)	–	–
	<u>35,283</u>	<u>32,665</u>	<u>–</u>	<u>32,665</u>	<u>(3,382)</u>	<u>–</u>	<u>370</u>
Financial instruments at fair value through profit and loss							
Unlisted outside Hong Kong	93,217	77,564	17,270	94,834	(12,583)	–	–
Unlisted in Hong Kong	68,000	38,197	–	38,197	(29,803)	–	–
Unlisted Investment Funds	193,915	212,798	66,625	279,423	8,744	–	419
	<u>355,132</u>	<u>328,559</u>	<u>83,895</u>	<u>412,454</u>	<u>(33,642)</u>	<u>–</u>	<u>419</u>
Debt instruments at fair value through other comprehensive income							
Listed in Hong Kong	56,114	56,699	–	56,699	632	(58)	2,328
Listed outside Hong Kong	14,142	13,894	–	13,894	70	(402)	1,160
	<u>70,256</u>	<u>70,593</u>	<u>–</u>	<u>70,593</u>	<u>702</u>	<u>(460)</u>	<u>3,488</u>
Debt instruments at fair value through profit and loss							
Unlisted outside Hong Kong	21,358	19,370	–	19,370	(1,988)	–	–
Debt instruments at amortised costs							
Unlisted outside Hong Kong	4,967	4,768	–	4,768	–	–	–
	<u>486,996</u>	<u>455,955</u>	<u>83,895</u>	<u>539,850</u>	<u>(38,310)</u>	<u>(460)</u>	<u>4,277</u>
<i>CURRENT</i>							
Debt instruments at fair value through profit and loss							
Listed in Hong Kong	3,695	3,878	–	3,878	(59)	115	316
Listed outside Hong Kong	7,489	7,604	–	7,604	(231)	–	471
	<u>11,184</u>	<u>11,482</u>	<u>–</u>	<u>11,482</u>	<u>(290)</u>	<u>115</u>	<u>787</u>
Total	<u>498,180</u>	<u>467,437</u>	<u>83,895</u>	<u>551,332</u>	<u>(38,600)</u>	<u>(345)</u>	<u>5,064</u>

The total size of carrying amount and outstanding commitment for each of those investments as at 30 June 2020 represents approximately 0.001% to 1.84% of the total assets of the Group as at 30 June 2020. The Group maintains a portfolio of equities, bonds and other investments products which generate steady income with potential of capital appreciation. The Group has taken into account of the following criteria when determining whether to take up an investment and trading opportunity: (i) potential for return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group's risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

Save for those disclosed above and in this announcement, there were no significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the Year and there is no plan for material investments or capital assets as at the date of this announcement.

PLEDGE OF ASSETS

As at 30 June 2020, the leasehold properties and certain investment properties with carrying amount of approximately HK\$82,344,000 (2019: approximately HK\$84,096,000) and approximately HK\$505,001,000 (2019: approximately HK\$548,654,000) respectively and bank deposits of approximately HK\$225,286,000 (2019: approximately HK\$126,729,000) were pledged to secure bank borrowings for the Group.

CONTINGENT LIABILITIES

As at 30 June 2020, the Company has no guarantees (2019: Nil).

LEASE AND CONTRACTED COMMITMENTS

As lessor

At 30 June 2020, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	23,305	23,986
In the second to fifth years	19,535	20,372
	42,840	44,358

The Group leases its properties under operating lease arrangements which run for an initial period of one to ten years (2019: one to fifteen years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. None of the leases includes contingent rentals.

CAPITAL COMMITMENTS

	2020	2019
	HK\$'000	HK\$'000
Contracted but not provided for:		
Financial instruments at FVTPL	83,895	133,503
Properties under development	11,163	–
Equity instruments	–	47,600
Investment properties	–	13,631
	<hr/> 95,058 <hr/>	<hr/> 194,734 <hr/>

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the Year were denominated in United States dollars ("US\$"), British Pound ("GBP"), Euro ("EUR"), Japanese Yen ("JPY"), and HK dollars ("HK\$"), and most of the assets and liabilities as at 30 June 2020 were denominated in US\$, GBP, EUR, JPY and HK\$. Accordingly, the Board is of the view that, to a certain extent, the Group is exposed to foreign currency exchange risk. For the US\$ foreign exchange exposure, the Board believes the exposure is small as the exchange rate of US\$ to HK\$ is comparatively stable. However, the Group is exposed to GBP, EUR and JPY foreign exchange exposure and fluctuation of exchange rates of GBP, EUR and JPY against HK\$ could affect the Group's results of operations. During the Year, foreign currency banking facilities for GBP, EUR and JPY were arranged for acquisition of properties and investments in these currencies to hedge for foreign exchange exposure.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SEGMENT INFORMATION

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 3 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 13 (2019: 13) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$12,405,000 for the Year as compared to approximately HK\$15,090,000 in last year. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and share option scheme.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 November 2020 to Friday, 27 November 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to attend the forthcoming annual general meeting of the Company, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 November 2020.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 (the "CG Code") to the Listing Rules. The Company has complied with all CG Code during the Year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the Year.

REMUNERATION COMMITTEE

According to the Listing Rules, the Company has to set up a remuneration committee comprising a majority of independent non-executive Directors. The remuneration committee of the Company (the “Remuneration Committee”) was established on 23 March 2007 with the latest written terms of reference adopted on 30 March 2012. As at the date of this announcement, the Remuneration Committee consists of four members, of which Mr. Pong is executive director and the other three are independent non-executive Directors, namely Mr. Koo Fook Sun Louis (“Mr. Koo”), Mr. Lung Hung Cheuk (“Mr. Lung”) and Ms. Yeung Wing Yan Wendy (“Ms. Yeung”), which schedules to meet at least once a year. The chairman of the Remuneration Committee is Mr. Lung and the quorum necessary for the transaction of business is two.

The latest terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of non-executive Directors.

The Remuneration Committee held 2 meetings during the Year to review the remuneration packages of all the Directors and senior management of the Company.

NOMINATION COMMITTEE

According to code provision A.5 of the CG Code, the Company has to set up a nomination committee comprising a majority of independent non-executive Directors. The nomination committee of the Company (the “Nomination Committee”) was established on 12 November 2007 with the latest written terms of reference adopted on 30 March 2012. As at the date of this announcement, the Nomination Committee consists of four members, of which Mr. Pong is executive director and the other three are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung, which schedules to meet at least once a year. The chairwoman of the Nomination Committee is Ms. Yeung and the quorum necessary for the transaction of business is two.

The latest terms of reference of the Nomination Committee are posted on the websites of both the Stock Exchange and the Company.

The roles and functions of the Nomination Committee include nomination of the potential candidates for directorship, reviewing the nomination of the Directors, making recommendations to the Board for ensuring that all nominations are fair and transparent, reviewing and monitoring the implementation of the policy of diversity of the Board (the “Board Diversity Policy”).

The Nomination Committee formulated the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- (A) at least one-third of the members of the Board shall be independent non-executive directors;
- (B) at least three of the members of the Board shall be independent non-executive Directors; and
- (C) at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives under Board Diversity Policy for the Year.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

The Nomination Committee held 2 meetings during the Year to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, make recommendations to the Board relating to the renewal services of non-executive Director and independent non-executive Directors and to review the Board Diversity Policy.

AUDIT COMMITTEE

According to the Listing Rules, the Company has to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee of the Company (the “Audit Committee”) was established on 2 May 2002 with the latest written terms of reference effective on 1 January 2019. During the Year, the Audit Committee was chaired by Mr. Koo and as at the date of this announcement, all Audit Committee members are independent non-executive Directors, namely Mr. Koo, Mr. Lung and Ms. Yeung.

The latest terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Audit Committee are to review and supervise the financial control, risk management and internal control systems of the Group and provide advice and comment on the Company’s draft annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports to Directors.

The Audit Committee held 5 meetings during the Year and had reviewed the audited consolidated financial statements for the year ended 30 June 2019 and the unaudited consolidated financial statements for the three months ended 30 September 2019, six months ended 31 December 2019 and nine months ended 31 March 2020 respectively, with the recommendations to the Board for approval; and to review the accounting principles and policies adopted by the Group and its financial reporting functions and risk management and internal control systems. During the Year, the Audit Committee met the Company’s auditor three times.

The Group’s unaudited consolidated quarterly, interim results and audited consolidated annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee has also reviewed the audited consolidated financial statements for the Year.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated financial statements and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, BDO Limited, as 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.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the Year.

APPRECIATION

I would like to take this opportunity to express my appreciation to the Shareholders for their support, to the management and staff for their dedicated efforts to the Group and to our clients, consultants and partners for all their valuable assistance offered during this past year.

By order of the Board
Winfull Group Holdings Limited
PONG WILSON WAI SAN
Chairman

Hong Kong, 29 September 2020

As at the date of this announcement, the executive Directors are Mr. Pong Wilson Wai San and Mr. Lee Wing Yin, the non-executive Director is Mr. Lai Hin Wing Henry and the independent non-executive Directors are Mr. Koo Fook Sun Louis, Ms. Yeung Wing Yan Wendy and Mr. Lung Hung Cheuk.