WT GROUP HOLDINGS LIMITED
WT 集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8422

ANNUAL REPORT

2018/2019

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Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of WT Group Holdings Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge, information and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report is prepared in English language and translated into Chinese. In the event of any inconsistencies between the Chinese and the English version, the latter shall prevail.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Yip Shiu Ching *(Chairman)*
Mr. Kung Cheung Fai Patrick
Mr. Kam Kin Bun
Ms. Du Juan (appointed with effect from 4 December 2018 and resigned with effect from 30 August 2019)

Independent Non-executive Directors:

Mr. Leung Chi Hung
Ms. Wong Lai Na
Ms. Hung Siu Woon Pauline

AUDIT COMMITTEE

Mr. Leung Chi Hung *(Chairman)*
Ms. Wong Lai Na
Ms. Hung Siu Woon Pauline

REMUNERATION COMMITTEE

Ms. Wong Lai Na *(Chairman)*
Mr. Leung Chi Hung
Ms. Hung Siu Woon Pauline

NOMINATION COMMITTEE

Ms. Hung Siu Woon Pauline *(Chairman)*
Mr. Leung Chi Hung
Ms. Wong Lai Na

COMPLIANCE OFFICER

Mr. Yip Shiu Ching

COMPANY SECRETARY

Mr. Lei Wai Hoi, *CPA*

AUTHORISED REPRESENTATIVES

Mr. Yip Shiu Ching
Mr. Lei Wai Hoi

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A, 6/F, Evernew Commercial Centre
33 Pine Street, Tai Kok Tsui
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

COMPLIANCE ADVISER

Titan Financial Services Limited (terminated with effect from 1 April 2019)
Advent Corporate Finance Limited (appointed with effect from 1 April 2019)

LEGAL ADVISERS TO THE COMPANY

D. S. Cheung & Co.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

STOCK CODE

8422

COMPANY'S WEBSITE

http://www.wtgholdings.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of WT Group Holdings Limited (the "**Company**"), I am pleased to present our audited consolidated financial results of the Company and its subsidiaries (collectively, referred as to the "**Group**"), for the year ended 30 June 2019.

OVERVIEW

Revenue of the Group increased from approximately HK$45.0 million for the year ended 30 June 2018 to approximately HK$82.8 million for the year ended 30 June 2019. Gross profit of the Group increased from approximately HK$7.8 million for the year ended 30 June 2018 to approximately HK$17.3 million for the year ended 30 June 2019. Profit and total comprehensive income for the year attributable to owners of the Company reversed from loss of approximately HK$9.6 million for the year ended 30 June 2018 to profit of approximately HK$6.4 million for the year ended 30 June 2019. The reversal of the Group's net loss to net profit for the year ended 30 June 2019 was mainly attributable to the acceleration of the progress of the projects during the year ended 30 June 2019, especially the residential project in Repulse Bay and the school campus redevelopment project in Tai Po Road.

PROSPECT

The Group expects the business environment continues to be challenging and competitive. Despite the opportunities in the construction industry in Hong Kong, competition is very keen and securing a construction contract becomes more difficult than before. Other than the keen competition in the market, the uncertainties in the execution of the construction projects and the continuous increase in the subcontracting and material costs have undoubtedly increased the overall operational risks.

Looking forward, the Board is prudently optimistic about the long term prospects of the construction market and will continue to exercise due care in pursuing business development so as to strike a balance between various business risks and opportunities. With our proven track record in the market, experienced and professional management team, established relationships with the customers and suppliers as well as our commitment to maintaining high safety and working standard, we are of the view that the Group is well-positioned to capture business opportunities in the market.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to our business partners, customers and shareholders of the Company (the "**Shareholders**"). I would also like to thank our management team and staff for their commitment and contribution. With the effort of our staff of all levels, I am confident that the Group will be able to create more values for our customers and investors.

WT Group Holdings Limited
Yip Shiu Ching
Chairman and Executive Director

Hong Kong, 23 September 2019

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of specialised works and general building works as a main contractor in Hong Kong, through Wai Tat Foundation & Engineering Limited ("**Wai Tat**"), our key operating subsidiary. The Group undertakes specialised works which include (i) foundation and site formation works; (ii) demolition works; and (iii) ground investigation field works. The Group also undertakes general building works including superstructure building works, slope maintenance works, hoarding works, alternation and addition works and other miscellaneous construction works.

For the year ended 30 June 2019, the Group recorded a net profit of approximately HK$6.4 million as compared to net loss of approximately HK$9.6 million for the corresponding year in 2018. Net loss of the Group for the year ended 30 June 2018 was mainly attributable to the non-recurring Listing expenses of approximately HK$9.2 million incurred. Setting that aside, the Group's normalised net loss (which is adjusted for the non-recurring Listing expenses) for the year ended 30 June 2018 was approximately HK$0.4 million. The reversal of Group's net loss to net profit was mainly attributable to the increase in revenue as a result of the acceleration of the progress of the projects during the year ended 30 June 2019.

FUTURE PROSPECTS

The construction industry in Hong Kong is challenging and competitive. Despite the opportunities in the construction industry in Hong Kong, competition is very keen and securing a construction contract becomes more difficult than before. With the experienced and professional management team, established relationship with the customers and suppliers as well as our commitment to maintaining high safety and working standard, the Directors are of the view that the Group is well-positioned to capture further business opportunities by focusing on the foundation and site formation works and superstructure building works projects in Hong Kong. The Group is prudently optimistic about the construction market and will continue to exercise due care in pursuing the business objectives and strategies: (i) expanding the market share and compete for more foundation and site formation projects, and superstructure building works projects; (ii) further strengthening our manpower; and (iii) adherence to prudent financial management to ensure sustainable growth and capital sufficiency.

Bearing in mind the associated risk and in consideration to maximise the returns to its Shareholders, the Directors may also consider other investment opportunities to broaden the base of return of the Group. As at the date of this report, the Group has not identified any investment opportunities.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the years ended 30 June 2018 and 2019, our Group generated total revenue of approximately HK$45.0 million and HK$82.8 million, respectively. The increase in revenue was mainly attributable to the acceleration of the progress of the projects during the year ended 30 June 2019, especially the residential project in Repulse Bay and the school campus redevelopment project in Tai Po Road.

Gross profit

For the years ended 30 June 2018 and 2019, the Group recorded gross profit of approximately HK$7.8 million and HK$17.3 million, respectively and the gross profit margin of the Group was approximately 17.4% and 20.9% for the respective years. Increase in gross profit margin was primarily attributable to the projects mix that we carried out during the year ended 30 June 2019 which had generated a higher gross profit margin than those projects carried out during the year ended 30 June 2018.

Administrative expenses

Our administrative expenses mainly consist of employee benefits expenses including Directors' emoluments, audit fees and other professional fees. Our administrative expenses amounted to approximately HK$17.8 million and HK$8.8 million for the year ended 30 June 2018 and 2019, respectively. Administrative expenses for the year ended 30 June 2018 included the non-recurring Listing expenses of approximately HK$9.2 million. Excluding the non-recurring Listing expenses, the administrative expenses for the year ended 30 June 2018 amounted to approximately HK$8.6 million. There was no significant change of the administrative expenses for the year ended 30 June 2019 compared to the corresponding year in 2018 (excluding non-recurring Listing expenses).

Loss allowances of financial assets and contract assets

For the year ended 30 June 2019, the Group recorded loss allowances of financial assets and contract assets of approximately HK$0.9 million due to an increase in credit risk of amount due from a customer.

Income tax expense/credit

For the years ended 30 June 2018 and 2019, the Group recorded income tax credit of approximately HK$0.1 million and income tax expense of approximately HK$1.1 million, respectively. The reversal of the income tax credit to income tax expense was mainly attributable to the reversal of the net loss for the year ended 30 June 2018 to net profit for the year ended 30 June 2019.

In calculating the income tax expense for the year ended 30 June 2019, the Group has applied the two-tiered profits tax rates regime that the first HK$2,000,000 of profits of qualifying corporation will be taxed at 8.25% and profits above HK$2,000,000 will be tax at 16.5%.

Profit/loss and total comprehensive income/loss attributable to owners of the Company

Loss and total comprehensive loss attributable to owners of the Company for the year ended 30 June 2018 and profit and total comprehensive income for the year ended 30 June 2019 amounted to approximately HK$9.6 million and HK$6.4 million, respectively. Loss and total comprehensive loss for the year ended 30 June 2018 attributable to owners of the Company was mainly attributable to the non-recurring Listing expenses of approximately HK$9.2 million incurred. Setting that aside, normalised loss and total comprehensive loss (which is adjusted for the non-recurring Listing expenses) for the year ended 30 June 2018 was approximately HK$0.4 million. The reversal of the loss and total comprehensive loss to profit and total comprehensive income attributable to owners of the Company for the year ended 30 June 2019 compared to the corresponding year in 2018 was mainly attributable to the increase in revenue as a result of the acceleration of the progress of the Group's certain projects during the year ended 30 June 2019.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position during the year ended 30 June 2019. As at 30 June 2019, the Group had bank balances and cash of approximately HK$29.7 million (2018: approximately HK$30.0 million) and restricted cash balances of approximately HK$4.7 million (2018: approximately HK$4.7 million). The current ratio as at 30 June 2019 was approximately 7.0 times (2018: approximately 8.4 times). The Directors are of the view that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

GEARING RATIO

The gearing ratio is calculated based on the total debts divided by total equity as at the respective reporting date. Total debts represent the obligations under the finance leases. As at 30 June 2019, the Group recorded gearing ratio of approximately 0.5% (2018: approximately 0.7%).

CHARGE OVER THE GROUP'S ASSETS

As at 30 June 2019, the Group pledged its deposits in insurance companies of approximately HK$4.7 million (2018: approximately HK$4.7 million) as collateral for performance bonds.

As at 30 June 2019, the Group pledged the leased motor vehicles of approximately HK$0.4 million (2018: approximately HK$0.5 million) as collateral to the obligations under finance leases.

Save as disclosed above, the Group does not have any other charges on its assets.

FOREIGN EXCHANGE EXPOSURE

For the year ended 30 June 2019, most of the revenue-generating operations were transacted in Hong Kong dollars. There was no significant exposure to foreign exchange rate fluctuations. As such, the Group currently does not have a foreign currency hedging policy.

CAPITAL STRUCTURE

During the year ended 30 June 2019, there has been no change in the capital structure of the Group. The capital structure of the Group comprises of ordinary shares and reserves. The Group mainly finances its operations, working capital, capital expenditures and other liquidity requirements through a combination funds generated from operations and net proceeds from the share offer.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and Director's quarter. The Group's operating lease commitments amounted to approximately HK$0.8 million as at 30 June 2019 (2018: approximately HK$0.4 million). As at 30 June 2019, the Group did not have any other capital commitment (2018: nil).

Management Discussion and Analysis

SEGMENT INFORMATION

Segment information is presented for the Group as disclosed on note 5 to the consolidated financial statements of this report.

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

There was no significant investment held as at 30 June 2019. The Group did not have material acquisition and disposal of subsidiaries and associated companies during the year ended 30 June 2019 saved for the set up of Healthy Luck Holdings Limited ("**Healthy Luck**"), a directly wholly-owned subsidiary of the Company incorporated in the BVI and Million Sea Development Limited ("**Million Sea**"), an indirectly wholly-owned subsidiary of the Company incorporated in Hong Kong. There was no other plan for material investments or capital assets as at 30 June 2019.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group has given guarantees on performance bonds issued by insurance companies of approximately HK$4.7 million in respect of three construction contracts of the Group in its ordinary course of business (2018: approximately HK$4.7 million in respect of two construction contracts). The Group has contingent liabilities to indemnify the insurance companies for any claims from customers under the guarantee due to the failure of the Group's performance. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts. As at the date of this report, the Directors do not consider it is probable that any claim will be made against the Group.

Save as disclosed above, the Group has no other material contingent liabilities (2018: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, excluding the INEDs, the Group employed a total of 17 employees (2018: 19 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$11.1 million for the year ended 30 June 2019 (2018: approximately HK$10.4 million).

The Group remunerates the employees based on their position, qualifications and performance. On top of the basic salaries, bonuses may be paid with reference to the Group's performance as well as employee's performance. Various types of trainings are provided to the employees for the improvement of their standards and skills.

DIVIDENDS

The Directors do not recommend payment of final dividend for the year ended 30 June 2019 (2018: nil).

PRINCIPAL RISKS

The business operations and results of the Group may be affected by various external and internal risk. Details of the risks and the respective risk management policies of the Group are shown in the Report of the Directors and note 3 to the consolidated financial statements in this report.

Management Discussion and Analysis

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 June 2019 is set out below:

Business objective as stated in the Prospectus	Business plan stated in the Prospectus	Actual business progress up to 30 June 2019
Continue to expand the market share and compete for more foundation and site formation projects and superstructure building works projects	Take out surety bonds for Project A and Project B	Bank balances of approximately HK$1.8 million and HK$1.1 million (note b) were deposited for the surety bond requirement of Project B and the project in Central, Hong Kong (note b) respectively. Bank balances of approximately HK$2.5 million (note a) reserved for the surety bond requirement of Project A and the unutilised portion of the net proceeds of approximately HK$3.2 million which had been reserved for the surety bond requirement of Project B as stated in the Prospectus were resolved to be reallocated to finance the upfront costs and working capital requirements at the early stage of certain new projects awarded in 2019 and other potential new projects that the Group targets to secure.
	Finance the upfront costs and working capital requirement at the early stage of Project A and Project B and other projects	Bank balances of approximately HK$12.6 million had been utilised to finance the upfront cost and working capital requirement of Project B and the project in Central, Hong Kong (note b). Bank balances of approximately HK$0.5 million had been utilised to finance the upfront cost and working capital requirement of other projects awarded during the year ended 30 June 2019.
	Continue to identify suitable business opportunities and review the tendering strategies to compete for more foundation and site formation projects and superstructure building works projects	The Group is continuing to identify suitable business opportunities and review the tendering strategies to compete for more foundation and site formation projects and superstructure building works projects. During the year ended 30 June 2019, 12 new projects including foundation and site formation works, demolition works and ground investigations works were awarded to the Group.
Further strengthening the Group's manpower	Hire and employ one project manager, two assistant project managers, one assistant accountant and one site foreman and continue to assess the needs to recruit additional staff in view of the business development	The Group has recruited two senior engineers and three foremen to enhance our project implementation capabilities and one management trainee to support accounting functions.
	Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety	The Group has sponsored the staff to attend several training courses on occupational health and safety.

Management Discussion and Analysis

USE OF PROCEEDS

Based on the offer price of HK$0.22 per Offer Share, the net proceeds from the Listing, after deducting the underwriting commission and other Listing related expenses, amounted to approximately HK$31.7 million. The Group intended to apply such net proceeds in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and the announcement dated 23 July 2019 in relation to the change in use of proceeds.

As at 30 June 2019, the planned application and actual utilisation of the net proceeds from the Listing is set out below:

Business plan as stated in the Prospectus	Net proceeds from the Share Offer HK$'million	Revised net proceeds from the Share Offer HK$'million	Amount utilised up to 30 June 2019 HK$'million	Unutilised balance up to 30 June 2019 HK$'million
Taking out surety bond for Project A and Project B	8.6	2.9	2.9	–
Financing the upfront cost and working capital requirement at the early stage of Project A and Project B and other projects	16.4	22.1	13.1	9.0
Further strengthening the Group's manpower	4.1	4.1	2.0	2.1
General working capital	2.6	2.6	2.6	–
Total	31.7	31.7	20.6	11.1

As at 30 June 2019, approximately HK$11.1 million of the net proceeds has not yet been utilised by the Group.

Notes:

(a) The Group had not received any further tender queries or other correspondence from the potential customer of Project A for over six months. Therefore, bank balances of approximately HK$2.5 million reserved for the surety bond requirement of this project were resolved to be reallocated to finance the upfront cost and capital equipments at the early stage of certain new projects.

(b) The Group has signed a Letter of Acceptance for a project in Central, Hong Kong in July 2018 with the notional contract value of HK$21.7 million. In October 2018, HK$1.1 million was utilised to finance the surety bond requirement of the project. As at 30 June 2019, bank balances of approximately HK$5.2 million had been utilised to finance the upfront cost and working capital requirement of this project.

CHANGE IN USE OF PROCEEDS

Reference is made to the announcement dated 23 July 2019 in relation to the change in use of proceeds, an aggregate amount of approximately HK$5.7 million reserved for the surety bond requirement of certain construction projects were resolved to reallocate to finance the upfront cost and working capital requirement for certain new projects awarded in 2019 and other potential new projects that the Group targets to secure.

Biographical Details of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yip Shiu Ching ("Mr. Yip"), aged 54, is one of the founders of the Group. Mr. Yip was appointed as the chairman of the Board and executive Director on 18 July 2017. Mr. Yip is our project director and is primarily responsible for the general management and supervising day-to-day operation of our Group. Mr. Yip is also the compliance officer of our Group.

Mr. Yip has over 33 years of experience in the construction industry in Hong Kong. Mr. Yip was one of the founders and a director of Wah Tat Foundation & Engineering Limited from August 1998 to April 2002, a construction company in Hong Kong, and was responsible for general management of the company. Since February 2002, Mr. Yip has been a director of Wai Tat, our operating subsidiary. Mr. Yip was also a director of Wai Tat Geo-Engineering Limited prior to its dissolution in 2004.

Mr. Yip obtained a Higher Diploma in Structural Engineering from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1986.

Mr. Yip is the director of all subsidiaries of our Group.

Mr. Kung Cheung Fai Patrick ("Mr. Kung"), aged 67, is one of the founders of our Group, Mr. Kung has been appointed as the executive Director on 18 July 2017. Mr. Kung is our technical director and is responsible for overseeing project design and technical direction of projects of our Group.

Mr. Kung has over 43 years of experience in the construction industry in Hong Kong.

He obtained a Bachelor of Science in Engineering and a Master of Science in Engineering from the University of Hong Kong in November 1975 and November 1987, respectively. Mr. Kung was admitted as a member of The Institution of Structural Engineers in June 1979, a member of The Institute of Civil Engineers in June 1980 and a Chartered Engineer of The Council of Engineering Institution in November 1979. Mr. Kung is currently a member of The Hong Kong Institution of Engineers, a registered Structural Engineer in Hong Kong, a registered authorised person in Hong Kong, a Registered Inspector in Hong Kong and a registered professional engineer in civil and structural engineering under the Engineers Registration Board.

Mr. Kung is the director of Vision Perfect Ventures Limited ("**Vision Perfect**"), a directly wholly owned subsidiary of the Company and Wai Tat, an indirectly wholly owned subsidiary of the Company.

Biographical Details of the Directors and Senior Management

Mr. Kam Kin Bun ("Mr. Kam"), aged 62, was appointed as the executive Director on 18 July 2017. He is our project director primarily responsible for day-to-day management and tendering of the Group.

Mr. Kam has over 36 years of experience in the construction industry in Hong Kong. Mr. Kam was a founder and a director of Wah Tat Foundation & Engineering Limited, a construction company in Hong Kong, from August 1998 to April 2002. Since January 2004, Mr. Kam has been a director of Wai Tat, our operating subsidiary. Mr. Kam was also a director of Golden Win Holdings Limited prior to its dissolution in 2015.

Mr. Kam obtained a Diploma in Civil Engineering from the Hong Kong Baptist College (currently known as the Hong Kong Baptist University) in June 1982.

Mr. Kam is the director of Vision Perfect and Wai Tat.

Ms. Du Juan ("Ms. Du"), aged 38, was appointed as the executive Director on 4 December 2018 and resigned on 30 August 2019. Ms. Du was mainly responsible for the business development of our Group.

Ms. Du is the director of Beijing Long Qi Biotechnology Company Limited* (北京隆淇生物科技有限公司) and Liao Ning Xing Du Technology Company Limited* (遼寧興督科技有限公司) incorporated in the People's Republic of China. Ms. Du is also the legal person of Liao Ning Dao Ning Group Company Limited* (遼寧道寧集團有限公司) and legal person and general manager of Shenyang Financial Supermarket Company Limited* (瀋陽金融超市有限公司) incorporated in the People's Republic of China. During the year ended 30 June 2019, Ms. Du was also the director of Healthy Luck.

As at the date of this report, Ms. Du has resigned as an executive Director of the Company and a director of Healthy Luck.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Chi Hung ("Mr. Leung"), aged 63, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee on 1 December 2017.

Mr. Leung has over 43 years of experience in the accounting profession in Hong Kong. Mr. Leung worked as an audit supervisor at Peat Marwick Mitchell & Co., currently known as KPMG, from September 1976 to September 1980. Mr. Leung was an audit manager of Arthur W. C. Mo & Co., an audit firm in Hong Kong, from October 1980 and was responsible for providing auditing services to clients. He was later admitted as a partner from April 1993 to March 2008. Mr. Leung has been the director of Philip Leung & Co. Limited, a company principally engaged in the provision of auditing services previously known as Arthur Mo & Co. Ltd. since January 2006, and is responsible for the overall management of the company.

Mr. Leung was admitted as an associate and a fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in October 1986 and December 1993, respectively. Mr. Leung was also admitted as a fellow of The Chartered Association of Certified Accountants in October 1991. Mr. Leung was also admitted as a fellow of The Taxation Institute of Hong Kong in February 2000. Mr. Leung has been a Registered Financial Planner under the Society of Registered Financial Planners since October 2005. Mr. Leung is currently a practicing certified public accountant under the Hong Kong Institute of Certified Public Accountants and a Certified Tax Adviser under The Taxation Institute of Hong Kong.

* *The English translation of the Chinese names is for information purpose only and should not be regarded as the official English translation of such Chinese names.*

Biographical Details of the Directors and Senior Management

Ms. Wong Lai Na ("Ms. Wong"), aged 33, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee on 1 December 2017.

Ms. Wong has over nine years of experience in the accounting profession. Ms. Wong worked as an audit trainee in Anthony Chan & Co. CPA, an audit firm in Hong Kong from February 2009 to May 2010 responsible for audit works of various companies. She then worked as an audit supervisor in K S Yu & Co. CPA, an audit firm in Hong Kong from October 2010 to February 2014 responsible for the audit works of companies of various sizes. Ms. Wong has been a manager of Top Name Consultant Limited since March 2014, and is responsible for, among others, client management. Since March 2014, she has been an audit manager of Alan Chan & Company CPA, an audit firm in Hong Kong, and is responsible for book keeping and financial analysis.

From July 2015 to August 2018, Ms. Wong has been the independent non-executive director of Celebrate International Holdings Limited (stock code: 8212), a company listed on the GEM of the Stock Exchange and principally carries on the business of money lending, property investment, securities investment and trading, food and beverage trading and the provision of health care services.

Ms. Wong obtained a Bachelor of Business Administration in Accounting from Jinan University in the PRC in January 2009 and was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 2018.

Ms. Hung Siu Woon Pauline ("Ms. Hung"), aged 52, was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee on 1 December 2017.

Since July 2017, Ms. Hung has been an independent non-executive director of Wealthy Way Group Limited (stock code: 3848), a company listed on the Main Board of the Stock Exchange and principally engaging in the business of providing financial leasing and advisory services in the PRC.

Ms. Hung obtained a Bachelor in Commerce from Murdoch University in Australia in December 1991 and a Master in Business Administration from the University of Western Sydney in Australia in April 2007. She also obtained an Advanced Diploma of Management Studies from Edwards International College in Australia in July 1990.

SENIOR MANAGEMENT

Mr. Lei Wai Hoi ("Mr. Lei"), aged 34, is the financial controller and company secretary of our Group. Mr. Lei joined our Group in July 2017 and is responsible for overseeing the overall financial management as well as corporate governance matters of our Group.

Mr. Lei has over nine years of experience in the accounting profession. Mr. Lei has been employed by PricewaterhouseCoopers from October 2009 to July 2017 with his last position as a manager. He was primarily responsible for the audit works of companies of various sizes.

Mr. Lei obtained a Bachelor in Business Administration in Accounting from the Hong Kong Baptist University in November 2009. Mr. Lei was admitted as a member of the Hong Kong Institute of Certified Public Accountants in January 2013.

Mr. Lei is the director of Healthy Luck and Million Sea.

Corporate Governance Report

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Company for the year ended 30 June 2019 (the "**Reporting Period**").

The Board and the management of the Company are committed to achieving and maintaining high standards of corporate governance. The Company believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for effective management, accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. Throughout the Reporting Period, to the best knowledge of the Board except for the deviation from code provision A.2.1 of CG Code, the Company has complied with all the applicable code provisions set out in the CG Code.

BOARD OF DIRECTORS

Responsibility

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

The Board is responsible for, among others, performing the corporate governance duties, which include:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to the Directors and employees; and

(e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

Corporate Governance Report

Composition of the board

The composition of the Board as at date of this annual report is set out as follows:

Executive Directors
Mr. Yip Shiu Ching *(Chairman)*
Mr. Kung Cheung Fai Patrick
Mr. Kam Kin Bun

Independent non-executive Directors
Mr. Leung Chi Hung
Ms. Wong Lai Na
Ms. Hung Siu Woon Pauline

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 10 to 12 of this annual report.

In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Board consisted of three independent non-executive Directors ("**INEDs**") during the Reporting Period, with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise. During the Reporting Period and as of the date of this report, the number of INEDs represents more than one third of the Board as required under the GEM Listing Rules.

The INEDs play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as to ensure that the interests of all shareholders are taken into account. All INEDs possess appropriate academic, professional qualifications or related financial management experience. None of the INEDs held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

With various experience of both the executive Directors and the INEDs and having regard to the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

The Company has received from each of its INEDs the written confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the INEDs to be independent in accordance to Rule 5.09 of the GEM Listing Rules.

Chairman and Chief Executive Officer

The principle of code provision A.2.1 of CG Code stipulates that there should be a clear division of the management of the Board and the day-to-day management of the business. The Group has not appointed the chief executive officer. However, the management of the Board and the day-to-day management of the business are primarily performed by Mr. Yip. The Group is of the view that there is a deviation from code provision A.2.1 of CG Code. In view of Mr. Yip has been operating and managing Wai Tat, our operating subsidiary, since 2002, the Board believes that it is in the best interest of our Group to have Mr. Yip taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from code provision A.2.1 of CG Code is appropriate in such circumstance. The Board believes that the balance of power and authority is ensured by the operations of the Board which comprises experienced and competent individuals, with three of them being INEDs. Except for the deviation from code provision A.2.1 of CG Code, the Company's corporate governance practices have complied with the CG Code.

Corporate Governance Report

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years and shall continue thereafter until it is terminated by either party by giving not less than three months' written notice to the other party.

Each of the INEDs has entered into a letter of appointment with the Company for a term of one year and shall continue thereafter until it is terminated by either party by giving not less than one months' written notice to the other party.

The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association (the "**Articles of Association**") and the applicable GEM Listing Rules.

All Directors are subject to retirement by rotation and re-election at annual general meeting and will continue thereafter until terminated in accordance with the terms of the service agreement/letter of appointment.

In accordance with the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Directors' Continuous Training and Professional Development

In compliance with code provision A.6.5 of CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Company has also provided reading materials including the CG Code, the Inside Information Provision (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, of the Laws of Hong Kong) to all Directors to develop and refresh the Director's knowledge and skills.

The Company continuously updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements as well as the development of the Group's business so as to ensure that they are aware of their responsibilities and obligations as well as to maintain good corporate governance practices.

Following trainings have been provided to all the Directors:

— briefing by the external auditors on changes or amendments to accounting standards at the Audit Committee meeting; and

— updates on proposed amendments to the GEM Listing Rules.

Corporate Governance Report

Director's Security Transactions

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors during the Reporting Period.

Board Diversity Policy

The Company has adopted a board diversity policy in accordance with the requirement as set out in the CG Code, which is summarised as below:

The board diversity policy of the Company specifies that in designing the composition of the Board, board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity of the Board. The Board currently consists of two female Directors. The Board would review regularly and ensure that appropriate balance of gender diversity is achieved.

The Company discloses the composition of the Board in corporate governance report every year and the Nomination Committee oversees and reviews the implementation of the board diversity policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The following tables further illustrate the diversity of the Board Members as of the date of this annual report:

	Age Group		
Name of Directors	**Age (30–39)**	**Age (40–59)**	**Age (60 and above)**
Mr. Yip Shiu Ching		✔	
Mr. Kung Cheung Fai Patrick			✔
Mr. Kam Kin Bun			✔
Mr. Leung Chi Hung			✔
Ms. Hung Siu Woon Pauline		✔	
Ms. Wong Lai Na	✔		

	Professional experience		
Name of Directors	**Business and management**	**Construction**	**Accounting and finance**
Mr. Yip Shiu Ching	✔	✔	
Mr. Kung Cheung Fai Patrick	✔	✔	
Mr. Kam Kin Bun	✔	✔	
Mr. Leung Chi Hung			✔
Ms. Hung Siu Woon Pauline	✔		
Ms. Wong Lai Na			✔

Corporate Governance Report

Board Committees

Audit Committee

The Company established an audit committee on 1 December 2017 with written terms of reference (as amended on 31 December 2018) in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the audit committee is to assist the Board in fulfilling its audit duties through review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting, risk management and internal control procedures and ensure that the Board and the management have discharged their duties to have an effective risk management and internal control systems.

The composition of the audit committee during the Reporting Period and up to the date of this report is as follows:

Mr. Leung Chi Hung *(Chairman)*
Ms. Hung Siu Woon Pauline
Ms. Wong Lai Na

All of the members of the audit committee are INEDs. None of them is a former partner of the Company's existing auditing firm. Mr. Leung Chi Hung, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

During the Reporting Period, the audit committee held four meetings. Details of the attendance of the members of the audit committee in the said meeting are set out under the sub-heading "Board Meetings" below.

The summary of work of the audit committee during the Reporting Period and up to the date of this report is as follows:

— To review the terms of engagement and make recommendation to the Board for the re-appointment of auditors of the Company, subject to the Shareholders' approval at the annual general meeting;

— To review the Group's financial and accounting policies and practices;

— To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

— To discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

— To review the non-competition undertaking by the controlling shareholders of the Company;

— To review the effectiveness of the Company's financial reporting system, risk management and internal control systems;

— To review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and

Corporate Governance Report

— To ensure the implementation of the whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

The audit committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

Nomination Committee

The Company established the Nomination Committee on 1 December 2017 with written terms of reference (as amended on 31 December 2018) in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of INEDs and making recommendations to the Board on appointment and re-appointment of Directors.

The Nomination Committee should consider a number of factors in assessing, evaluating and selecting candidates for the directorships based on the Group's nomination policy. The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following selection criteria: (i) character and integrity; (ii) qualifications and experience that are relevant to the Company's business and strategy; (iii) commitment to devote sufficient time to discharge the duties as a member of the Board and other directorship; (iv) diversity in all aspects in order to achieve the diversity of the Board; (v) independence requirement with reference to the independence guidelines set out in Rule 5.09 of the GEM Listing Rules when evaluating the suitability of the candidates to be INEDs; and (vi) such other factors which are appropriate to the Company's business and strategy.

Nomination Procedures

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

i. The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents, and may seek independent professional advice to access a wider range of potential candidates.

ii. The secretary of the Nomination Committee shall invite nomination of candidates from the Board members (if any) for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by the Board.

iii. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment.

iv. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate.

Corporate Governance Report

v. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration.

vi. All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required.

vii. For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

viii. The Nomination Committee and/or the Board should make recommendation to the Shareholders in respect of the proposed election of Director at the general meeting.

The composition of the nomination committee during the Reporting Period and up to the date of this report is as follows:

Ms. Hung Siu Woon Pauline *(Chairman)*
Mr. Leung Chi Hung
Ms. Wong Lai Na

All of the members of the nomination committee are INEDs. During the Reporting Period, the nomination committee held one meeting. Details of the attendance of the members of the nomination committee in the said meeting are set out under the sub-heading "Board Meetings" below.

The summary of work of the nomination committee during the Reporting Period and up to the date of this report is as follows:

— To review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service, experience and other qualities of Directors) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— Having regards to the Board Diversity Policy of the Company, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

— To assess the independence of independent non-executive Directors, having regard to, among other things, the requirements under the GEM Listing Rules;

— To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive (if any) of the Company; and

Corporate Governance Report

— Where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, to set out in the circular to shareholders of the Company and/or explanatory statement accompanying the notice of the relevant general meeting (i) the process used for identifying the individual and why they believe the individual should be elected and the reasons why they consider the individual to be independent; (ii) if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, why they believe the individual would still be able to devote sufficient time to the Board; (iii) the perspectives, skills and experience that the individual can bring to the Board; and (iv) how the individual contributes to diversity of the Board.

Remuneration Committee

The Company established the Remuneration Committee on 1 December 2017 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the remuneration committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The composition of the Remuneration Committee during the Reporting Period and up to the date of this report is as follows:

Ms. Wong Lai Na *(Chairman)*
Ms. Hung Siu Woon Pauline
Mr. Leung Chi Hung

All of the members of the Remuneration Committee are INEDs. During the Reporting Period, the Remuneration Committee held one meeting.

Details of the attendance of the members of the Remuneration Committee in the said meeting are set out under the sub- heading "Board Meetings" below.

The summary of work of the Remuneration Committee during the Reporting Period and up to the date of this report is as follows:

— To review and recommend to the Board on the Group's remuneration policy and strategy;

— To review and recommend to the Board on the remuneration packages of the executive Directors and senior management of the Company; and

— To review and recommend to the Board on the fees of the INEDs.

Corporate Governance Report

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business.

Here below are details of all Directors' attendance at the board meeting and board committee meetings held during the Reporting Period:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Directors				
Mr. Yip Shiu Ching	4/4	N/A	N/A	N/A
Mr. Kung Cheung Fai Patrick	3/4	N/A	N/A	N/A
Mr. Kam Kin Bun	4/4	N/A	N/A	N/A
Ms. Du Juan*	0/2	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Leung Chi Hung	4/4	4/4	1/1	1/1
Ms. Hung Siu Woon Pauline	4/4	4/4	1/1	1/1
Ms. Wong Lai Na	4/4	4/4	1/1	1/1

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors understand and acknowledge their responsibility for ensuring that the Group's consolidated financial statements for each financial year are prepared to give a true and fair view of the state of affairs, the financial results and cash flows of the Group in accordance with the disclosure requirements of the Companies Ordinance and the applicable accounting standards.

In preparing the consolidated financial statements for the year ended 30 June 2019, the Board has adopted appropriate and consistent accounting policies and made prudent, fair and reasonable judgments and estimates. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

* *Ms. Du Juan has resigned from the Board on 30 August 2019.*

Corporate Governance Report

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 48 to 53 of this report.

AUDITOR'S REMUNERATION

During the year ended 30 June 2019, the Company engaged PricewaterhouseCoopers as the external auditor and the audit services fee amounted to HK$950,000.

The audit committee has expressed its views to the Board that the level of fees paid/payable by the Company to the Company's external auditor for annual audit services is reasonable. There has been no disagreement between the auditor and the management of the Company during the year ended 30 June 2019.

COMPANY SECRETARY

The company secretary of the Company assists the Board by ensuring the Board policy and procedures are followed. The company secretary is also responsible for advising the Board on corporate governance matters.

The Company has appointed Mr. Lei as its company secretary. For the year ended 30 June 2019, Mr. Lei undertook no less than 15 hours of relevant professional training to develop his skills and knowledge. The biographic of Mr. Lei is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

COMPLIANCE OFFICER

Mr. Yip is the compliance officer of our Company. The biography of Mr. Yip is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

SHAREHOLDERS' RIGHT

One of the measures to safeguard the shareholders' interests and rights is to separate resolutions proposed at the shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at the shareholders' meetings will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 23 of the Articles of Association. Such requisition must state the objects of the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meetings by sending the same to the company secretary at the principal office of the Company in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has an adopted shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website and the Company's website;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management;

(v) the Company's branch share registrar and transfer office in Hong Kong serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management systems. It consists, in part, of organisational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders and the Group's assets at all times.

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems is conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established the risk management procedures which comprised the following steps:

— Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

— Risk assessment: Assess and evaluate the identified risks according to their likely impact and the likelihood of occurrence;

— Risk mitigation: Develop effective control activities to mitigate the risks.

Corporate Governance Report

Risk identification and assessment are performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented and communicated to the Board and the management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has conducted an annual review on whether an internal audit department is required. Given the relatively simple corporate and operation structure, the Group currently does not have an internal audit function. During the Reporting Period, the Group has carried out an internal control review of the implemented system and procedures, including areas covering financial, operational and risk management functions. The Directors were satisfied that effective internal control and risk management measures as appropriate to the Group were implemented properly and that no significant areas of weaknesses came into attention. The Group also discussed and communicated the results and findings (if any) to the Company's audit committee and seek for their recommendations.

DIVIDEND POLICY

The Company has on 1 August 2019 adopted a dividend policy that aims to provide guidelines for the Board to determine whether dividends are to be declared and paid to the shareholders and the level of dividends to be paid. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;

(c) the Group's working capital and capital expenditure requirements as well as future business and expansion plans;

(d) the Group's liquidity position;

(e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company;

(f) restrictions under the Cayman Islands laws and the Company's memorandum and articles of association; and

(g) other factors that the Board considers relevant.

The declaration and payment of dividend is subject to any restrictions under the Companies Law of the Cayman Islands and the memorandum and articles of association of the Company and any other applicable laws and regulations.

The Board will continually review the Dividend Policy without guaranteeing that dividends will be paid in any amount for any given period.

The Dividend Policy shall in no way constitute a legally binding commitment of the Company that dividends will be paid in any particular amount and shall in no way obligate the Company to propose, declare or pay any dividend at any time or from time to time.

Corporate Governance Report

INSIDE INFORMATION

The Group complies with requirements of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbors as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no significant change in the Group's constitutional documents except for the terms of reference of the Nomination Committee and Audit Committee published on 31 December 2018.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Island under the Cayman Companies Law on 11 July 2017. The principal activity of the Company is investment holding. The Group principally provide specialised works and general building works as a main contractor in Hong Kong, through Wai Tat, its key operating subsidiary. We undertake specialised works which include (i) foundation and site formation works; (ii) demolition works; and (iii) ground investigation field works. The Group also undertake general building works including superstructure building works, slope maintenance works, hoarding works, A&A works and other miscellaneous construction works. Details of the principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year ended 30 June 2019 by operating segment is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis".

ENVIRONMENTAL POLICIES AND PERFORMANCE

Discussion on the environmental policies and performance is contained in the "Environmental, Social and Governance Report" on pages 37 to 47 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Sufficient resources have been allocated to ensure the on-going compliance with applicable laws and regulations. During the year ended 30 June 2019, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating.

Report of the Directors

PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. Some of the major risks include:

(i) the Group's revenue relies on successful tenders or quotations of specialized works and general building works projects which are non-recurring in nature, and there is no guarantee that the customers will provide the Group with new business or that the Group will secure new customers;

(ii) the Group make estimation of our project costs in our tenders and quotations and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses;

(iii) the Group rely on our subcontractors to perform a portion of the site works and unsatisfactory performance or unavailability of the Group's subcontractors may adversely affect our operations and profitability;

(iv) the Group are exposed to our customers' credit risks and the Group's liquidity position may be adversely affected if our customers fail to make payment on time or in full;

(v) the Group's performance depends on trends and developments in the construction industry in Hong Kong; and

(vi) the Group's performance depends on market conditions and the general economic and political conditions in Hong Kong.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 June 2019 are set out in the consolidated statement of comprehensive income on page 54. The Directors do not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 104. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital is set out in note 22 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, save as disclosed in this report, the Board is not aware of any significant events subsequent to the Reporting Period that requires disclosure.

Report of the Directors

CONFIRMATION ON INDEPENDENCE

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 1 December 2017 (the "**Share Option Scheme**"). The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to the Prospectus and are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 30 June 2019.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 30 June 2019 are set out in note 26 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that needed to be disclosed under the GEM Listing Rules.

DISTRIBUTABLE RESERVES

As at 30 June 2019, the Company did not have any reserves available for distribution (2018: nil). Details of the movement in reserve during the year are set out in note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer accounted for 38.6% of the Group's total revenue (2018: 41.7%) while the Group's five largest customers in aggregate accounted for 97.2% of the Group's total revenue for the year ended 30 June 2019 (2018: 93.6%).

The Group's largest supplier accounted for 15.9% to the total purchases (2018: 10.9%) while the Group's five largest suppliers accounted for 50.7% of the Group's total purchases for the year ended 30 June 2019 (2018: 38.3%).

None of the Directors of the Company, or any of his close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers during the year ended 30 June 2019.

Report of the Directors

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS, EMPLOYEES AND SHAREHOLDERS

The success of the Group also depends on the support from the customers, suppliers, subcontractors, employees and Shareholders.

Customers

The Group provides specialised works and general building works to customers from both the public and private sectors in Hong Kong and majority of our revenue was derived from projects for customers in the private sector. The Group emphasizes its ability to deliver work on time to customers. To execute the quality assurance policy of the Group, we have maintained a quality management system which follows the ISO 9001 standards. Quality assurance functions are performed throughout the foundation works process from the construction materials procurement stage to the completion stage to ensure that the foundation works and ancillary services meet the standards required by the customers. In addition, our project management team communicated with our customers on a regular basis during the course of the projects to better understanding their needs and expectations. During the year ended 30 June 2019, the Group maintained good business relationships with our customers, which helped attracting further business and referrals from them.

Suppliers and Subcontractors

The Group generally orders the relevant construction materials and engages the relevant construction services on project-by-project basis with the suppliers and subcontractors. Although the Group does not enter into any long-term supply agreements with our suppliers and subcontractors. Our Directors believe that we have maintained good business relationships with them in which we have maintained long relationship with the majority of our largest suppliers and subcontractors.

The Group maintains an internal list of approved subcontractors and suppliers which the list is reviewed and updated periodically. While engaging suppliers and subcontractors, the Group generally assesses of various factors including track record, pricing, product quality, market reputation, timeliness of delivery, financial conditions and after-sales services.

During the year ended 30 June 2019, the Group did not have any significant disputes with any of its top five suppliers and subcontractors.

Employees

The Group focuses on the talents of our employees as our most valuable asset. We strive to create a good workplace that our employees are motivated to work in. Our employees are treated fairly with respect and we reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives. The Group has maintained good relationship with our employees during the year ended 30 June 2019.

Shareholders

The principal goal of the Group is to maximize the return to the Shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the Shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

Report of the Directors

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Mr. Yip Shiu Ching *(Chairman)*
Mr. Kung Cheung Fai Patrick
Mr. Kam Kin Bun
Ms. Du Juan (appointed with effect from 4 December 2018 and resigned with effect from 30 August 2019)

Independent non-executive Directors

Mr. Leung Chi Hung
Ms. Hung Siu Woon Pauline
Ms. Wong Lai Na

In accordance with our Articles of Association, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Pursuant to the Articles of Association, Mr. Yip Shiu Ching and Ms. Wong Lai Na will retire and, being eligible, offer themselves for re-election at the annual general meeting to be held on 31 October 2019. Biographical details of each of Mr. Yip Shiu Ching and Ms. Wong Lai Na are set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

According to the GEM Listing Rules and the board diversity policy of the Company, the Nomination Committee will, among other things, undertake the nomination and selection of the independent non-executive Director candidates on the completion of his/her specified terms, and make relevant recommendations to the Board.

Furthermore, when changes to the members or composition of the Board or its Committees are required or when casual vacancies arise, the Nomination Committee shall adhere to the principles stated in the board diversity policy and take into account the existing composition of the Board and its Committees, as well as the business requirements of the Group, and nominate potential candidates by reference to their capacity and the selection criteria to the Board for approval.

Ms. Wong Lai Na has met the independence criteria under the GEM Listing Rules and has given confirmation of her independence to the Company. With due consideration on the above factors, the Board believes that Ms. Wong Lai Na is independent. Based on her diversified background including, but not limited to, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors, the Board believes that Ms. Wong Lai Na can contribute to diversity of the Board and her expertise will enable them to fulfill her roles as an independent non-executive Director effectively, and provide useful and constructive opinion and make contribution to the Board and the development of the Company.

Ms. Du Juan resigned on 30 August 2019 as executive Director of the Company due to her other business commitments. Ms. Du Juan has confirmed that she has no disagreement with the Board and nothing relating to her resignation that needed to be brought to the attention of the Shareholders of the Company.

Report of the Directors

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group during the financial year ended 30 June 2019.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 12 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 7 and note 8 to the consolidated financial statements.

The remuneration of the senior management of our Group excluding the INEDs for the year ended 30 June 2019 falls within the following band:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	2
HK$1,000,001 to up to HK$2,000,000	3
Above HK$2,000,000	0

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, profit performance of our Group and general market conditions.

Other than the payments to the Mandatory Provident Fund Scheme Ordinance, the Group has not operated any other retirement benefit schemes for its employees. Particulars of the retirement benefit schemes are set out in note 2.17 to the consolidated financial statements.

Our remuneration committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that the remuneration committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

MANAGEMENT CONTRACTS

As at 30 June 2019, the Company did not enter into or have any management and/or administration contracts in respect of the whole or any principal business of the Company.

Report of the Directors

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 30 June 2019.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended 30 June 2019 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its specified undertakings as defined in the Companies (Directors' Report) Regulation or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares or Debentures

As at 30 June 2019, the interests and short positions of the Directors or chief executives of the Company in the Shares, the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

Name of Directors	Capacity	Number of the Shares held/ interested in	Percentage of shareholding
Mr. Kung	Interest in controlled corporation *(Note)*	648,600,000	64.86%
Mr. Yip	Interest in controlled corporation *(Note)*	648,600,000	64.86%
Mr. Kam	Interest in controlled corporation *(Note)*	648,600,000	64.86%

Note:

Talent Gain Ventures Limited ("Talent Gain"), which beneficially owns 64.86% of the issued Shares of the Company, is owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by Mr. Kam. Since Mr. Kung is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Talent Gain, Mr. Kung is deemed to be interested in the Shares in which Talent Gain is interested under the SFO. Further, pursuant to the Concert Party Deed, details of which are set out in the paragraph headed "History and Development — Concert Party Deed" of the Prospectus, immediately following completion of the public offer and the placing and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), Mr. Yip, Mr. Kam and Mr. Kung are acting in concert with one another and each of them is deemed to exercise or control the exercise of 64.86% of the voting power at general meetings of Talent Gain, and is therefore deemed to be interested in the Shares in which Talent Gain is interested under the SFO.

Report of the Directors

Save as disclosed above, as at 30 June 2019, none of the Directors nor chief executives of the Company has registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares or Underlying Shares

So far as the Directors are aware, as at 30 June 2019, the following persons (other than the Directors or chief executives of the Company) or corporations had interests or short positions in the shares or underlying shares of the Company which were required to be kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Nature of interest	Number of the Shares held/ interested in *(Note 4)*	Percentage of total issued share capital of the Company
Talent Gain	Beneficial owner	648,600,000 (L)	64.86%
Mrs. Kung Szeto Sin Fun	Family interest *(Note 1)*	648,600,000 (L)	64.86%
Ms. Chiu Wai King Clara	Family interest *(Note 2)*	648,600,000 (L)	64.86%
Ms. Chan Kit Yee	Family interest *(Note 3)*	648,600,000 (L)	64.86%
China Silver Asset Management Limited	Investment manager	101,150,000 (L)	10.12%
		35,000,000 (S)	3.50%
CS Asia Opportunities Master Fund	Beneficial owner	101,150,000 (L)	10.12%
		35,000,000 (S)	3.50%

Notes:

1. Mrs. Kung Szeto Sin Fun is Mr. Kung's spouse and is deemed to be interested in the Shares in which Mr. Kung is interested under the SFO.

2. Ms. Chiu Wai King Clara is Mr. Yip's spouse and is deemed to be interested in the Shares in which Mr. Yip is interested under the SFO.

3. Ms. Chan Kit Yee is Mr. Kam's spouse and is deemed to be interested in the Shares in which Mr. Kam is interested under the SFO.

4. The letter "L" denotes the person's long position in the Shares or underlying Shares. The letter "S" denotes the person's short position in the Shares or underlying Shares.

Save as disclosed above, as at 30 June 2019, there was no person or corporation, other than the Directors and chief executives of the Company, had any interest or a short position in the shares or underlying shares of the Company which were required to be kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of the Directors

RESTORATION OF PUBLIC FLOAT AND SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the announcements of the Company dated 16 January 2019, 15 February 2019 and 18 March 2019. As disclosed in these announcements, the public float of the Company was approximately 22.38% at the relevant times, which was below 25% of the total issued share capital of the Company and that prescribed by Rule 11.23(7) of the GEM Listing Rules.

The controlling shareholder of the Company, Talent Gain, has on 8 April 2019, 9 April 2019 and 10 April 2019 disposed in aggregate 26,400,000 Shares on the Stock Exchange, representing 2.64% of the issued share capital of the Company (the "Disposals"). To the best knowledge, information and belief of the Directors, immediately after the Disposals as disclosed in the announcement of the Company dated 10 April 2019, the public float of the Company was approximately 25.02%, details of which are set out in the announcement of the Company dated 15 April 2019. As such, the public float of the Company has been restored and the Company has fulfilled the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules.

Saved as disclosed above, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed minimum public float under the GEM Listing Rules during the year ended 30 June 2019 and at any time up to the date of this report.

CANCELLATION OF PROPOSED CHANGE OF COMPANY NAME

Reference is made to the announcements dated 30 April 2019 and 23 August 2019 in relation to the proposed change of the Company name. The announcement dated 30 April 2019 proposed to change the English name of the Company from ''WT Group Holdings Limited'' to ''WT Dao Ning Construction Holdings Group Company Limited'' and to change the Chinese name of the Company from "WT集團控股有限公司" to "WT道寧建設控股集團有限公司". Such proposed change of Company name was cancelled after taking into accounts of various stakeholders' views by the Board, details of which are set out in the announcement dated 23 August 2019 of the Company.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete, directly or indirectly, with the business of the Group or any other conflicts of interest which any such person has or may have with the Group during the year ended 30 June 2019 and up to the date of this report.

Each of the controlling shareholders of the Company also gave certain non-competition undertakings under the deed of non-competition as set out in the paragraph headed "Relationship with our Controlling Shareholders — Non-Competition undertakings" in the Prospectus. Pursuant to which the controlling shareholders have undertaken, jointly and severally, to the Company that they would not, and that their close associates and/or companies controlled by the controlling shareholders would not, directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with the existing core business of our Group.

Report of the Directors

During the year, the Company has received an annual written confirmation from each controlling shareholders of the Company in respect of their associates in compliance with the deed of non-competition.

The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the deed of non-competition for the year ended 30 June 2019.

CHANGE OF COMPLIANCE ADVISER

As disclosed in the Company's announcement dated 25 March 2019, Titan Financial Services Limited ("**Titan**") and the Company have mutually agreed to terminate the compliance adviser agreement with effect from 1 April 2019 (the "**Termination Date**") due to changes in personnel of Titan. Advent Corporate Finance Limited ("**Advent**") has been appointed as the new compliance adviser to the Company as required pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 1 April 2019.

INTEREST OF COMPLIANCE ADVISER

As notified by Titan, save for the compliance agreement entered into between the Company and Titan dated 20 July 2017 in connection with the Listing, none of Titan or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Company as at Termination Date, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Also notified by Advent, save for (i) the compliance agreement entered into between the Company and Advent dated 22 March 2019 in connection with the compliance with the GEM Listing Rules and (ii) the advisory agreement entered into between the Company and Advent dated 10 May 2019 in connection with the proposed change of Company name, none of Advent or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Company as at the date of this report, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2019.

CORPORATE GOVERNANCE CODE

Details of the principle corporate governance practices as adopted by the Company are set out in the section headed. "Corporate Governance Report" on pages 13 to 25 of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors during the year ended 30 June 2019.

Report of the Directors

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 28 October 2019 to Thursday, 31 October 2019 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the annual general meeting of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited for registration not later than 4:00 p.m. on Friday, 25 October 2019.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 30 June 2019 have been audited by PricewaterhouseCoopers. A resolution will be proposed at the forthcoming annual general meeting of the Company to reappoint PricewaterhouseCoopers as auditor of the Company.

On Behalf of the Board

WT Group Holdings Limited
Yip Shiu Ching
Chairman and Executive Director
Hong Kong, 23 September 2019

Environmental, Social and Governance Report

INTRODUCTION

The Group is pleased to present the Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") with the reporting period from 1 July 2018 to 30 June 2019. The Group contributes to sustainable development by delivering environmental, social and economic benefits to all stakeholders in a balanced way.

This ESG Report is presented in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") contained in Appendix 20 to the GEM Listing Rules.

The Group is principally engaged in the provision of specialised works and general building works as a main contractor in Hong Kong, through Wai Tat, its key operating subsidiary. Each of the business departments of the Group has participated in preparing the ESG Report in order to identify the impacts of the Group on the environment and society, and to evaluate its importance to the Group's business and each stakeholder. This ESG Report covers the policies of the Group on material environmental, social and governance issues in relation to the Group's business and the compliance.

STAKEHOLDER ENGAGEMENT

The Group value the stakeholders and their feedback regarding the businesses and ESG aspects. In order to understand and address their key concerns, the Group have maintained close communication with key stakeholders, including but not limited to shareholders and investors, customers and business partners, employees, suppliers and subcontractors, as well as the public. The Group take stakeholders' expectations into consideration in formulating the businesses and ESG strategies by utilising diversified engagement methods and communication channels, as shown below.

Stakeholders	Communication Channel
Shareholders and investors	— General Meeting and Shareholder Meetings — Annual Reports, Interim Reports and Quarterly Reports — Announcements and Circulars — Company Website
Customers and business partners	— Company hotline and Email and Liaison with the Group's Directors and project managers — Progress meetings with customers
Employees	— Trainings and Meetings with employees
Suppliers and subcontractors	— Suppliers and subcontractors meetings — Liaison with the Group's Directors and project managers
The public	— ESG Report, Company hotline and Email

The Group aim to collaborate with the stakeholders to improve the ESG performance and create greater value for the wider community on a continuous basis.

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

The management and staff of the Group have participated in the preparation of the ESG Report to assist the Group in reviewing the operations and identifying relevant ESG issues and assess the importance of related matters to the businesses and stakeholders. Based on the assessed significant ESG issues, information was collected from relevant departments of the Group.

The following table is a summary of the Group's material ESG issues included in this ESG Report:

The ESG Reporting Guide	Material ESG aspects of the Group
A. Environment	
A1. Emissions	— Air Pollutant Emission and Water Pollution — Waste Management
A2. Use of Resources	— Electricity, Resources and Energy Consumption
A3. The Environment and Natural Resources	— Environmental Protection Measures
B. Social	
B1. Employment	— Recruitment, Remuneration and Promotion — Diversity and Equal Opportunities — Communication Channels — Working Environment
B2. Health and Safety	— Safety Control Policy — Health and Safety Trainings — Procedures and Handling of Work Injuries
B3. Development and Training	— Development and Training Management
B4. Labour Standards	— Prevention of Child and Forced Labour
B5. Supply Chain Management	— Supply Chain Management — Fair and Open Procurement
B6. Product Responsibility	— Project Quality Control
B7. Anti-corruption	— Data Privacy — Code of Conduct — Whistle-blowing Policy
B8. Community Investment	— Corporate Social Responsibility

Environmental, Social and Governance Report

As at the year ended 30 June 2019, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

CONTACT US

The Group welcome stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG Report or the Group's performances in sustainable development by info@waitat-hk.com.

A. ENVIRONMENTAL ASPECT

The Group endeavours to minimise any adverse impact on the environment resulting from our business activities. The Group's operations on sites are subject to certain environmental requirements pursuant to the laws and regulations in Hong Kong including but not limited to Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong). The Group also endeavours to meet the requirements of certain industry's codes of practice such as the BEAM Plus New Buildings issued by the Hong Kong Green Building Council and the BEAM Society.

Apart from following the environmental protection policies required by the customers, the Group has also established the environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both the employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal. Specifically, the Group adopts the following measures to ensure proper management of environmental protection and compliance of environmental laws and regulations during the project execution:

— The Group prepares an environmental management plan for the construction projects. An environmental management plan typically sets out the environmental protection measures such as noise reduction, air pollution control, water pollution control and waste management;

— The environmental officer of the Group is responsible for monitoring the ongoing compliance with the environmental management plan and providing advice to the executive Directors of the Group on environmental protection issues including noise abatement, air pollution control, water pollution control and waste management that are identified during daily inspection. The environmental officer is also responsible for providing environmental training for on-site workers which the subcontractors are also required to be strictly complied with; and

— The Group is required to report to the customers on the effectiveness of the implementation of the environmental management plan on a monthly basis. The environmental officer assists the environmental manager to compile monthly environmental reports for submission to customers.

Environmental, Social and Governance Report

A1. Emissions

The Group has identified the following types of emissions in the ordinary course of the business.

Air Pollutant Emission

The major air pollutants generated from the construction work are the dust and gas from the machinery used in the construction site. To control the air pollution, the Group has reduced the dust emission by applying water sprays and using canvas in our construction site and has ensured the compliance of the emission standard prescribed under Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong).

Water Pollution

In order to effectively manage water pollution, prior to commencement of construction works, the project managers identify wastewater discharge points in advance and then install adequate discharge pipeline and sedimentation tanks for discharging sewage properly.

Hazardous Waste

The Group believes that our business does not generate any material amount of hazardous waste during the construction processes.

Non-hazardous Waste

Due to the business nature of our Group, certain construction waste is generated in our construction process. The construction waste is disposed of at landfills regularly to avoid excessive accumulation causing nuisance to the neighbourhood. The Group also promotes waste recycling by putting adequate facilities in place to facilitate collection and segregation of wastes.

A2. Use of Resources

The main resources used by the Group in the construction process are electricity, water, diesel and petrol. In order to be an environmentally responsible corporation, the Group has implemented environmental management policy and internal principles to minimise the wastage and avoid excessive usage of the resources. For example, the construction wastewater would be reused for water spraying for dust reduction and for equipment cleaning after treated by sewage treatment tank, which helps to reduce water consumption and control pollution simultaneously. In addition, the Group uses renewable and recyclable materials when applicable.

Environmental, Social and Governance Report

A3. The Environment and Natural Resources

The Group is highly concerned about the impacts of its business on the environment and natural resources. In addition to compliance with the relevant environmental regulations and international standards for conducting appropriate protection of the natural environment, the Group has also incorporated the concept of environmental protection into internal management and project implementation process. Following are some measures of the Group to achieve environmental protection:

— Office power saving: Recommendation to turn off lights, air-conditioning and computer when not in use.

— Paper saving: Use of email and other computer system for document review purposes, reduction in printing and encourage the use of recycled paper.

— Reduction of the usage of bottled water: Encourage employees of the Group to monitor water usage and recommendation to use reusable cups to reduce the use of plastic bottles.

— Noise control: Project managers to ensure the compliance of the Noise Control Ordinance of Hong Kong and site working hours restricted from 7:00 a.m. to 7:00 p.m.

— Promoting Green Concepts: Request the subcontractors and suppliers to comply with environmental protection measures adopted by the Group.

— Providing environmental protection training: Provide environmental protection training for every new employees for them to understand the requirements and standards of the industry and the Group on environmental protection.

In summary, the Group has not identified any non-compliance with the applicable local rules and regulations relating to environmental aspect and the Group have obtained ISO 14001:2015 in respect of our environmental management system.

Environmental, Social and Governance Report

B. SOCIAL ASPECT

Employment and Labour Practices

B1. Employment

The Group is committed to creating an environment with diversity and equal opportunity. All eligible job applications, internal transfers and promotions are regardless of factors such as gender, marital status, disability, age, race, family status, sexual orientation, nationality and religion, so as to ensure equal opportunities and fair treatment for all employees and job applicants.

The Group remunerates the employees based on their position, qualifications and performance. On top of the basic salaries, bonuses may be paid with reference to the Group's performance as well as employee's performance. Various types of trainings are provided to the employees for the improvement of their standards and skills. The Group also assesses the available human resources on a continuous basis and will determine whether additional personnel is required to cope with the business development.

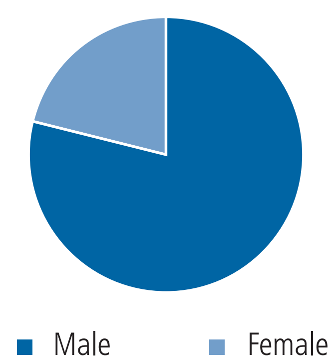
The Group recognise the importance to maintain close and open communication with the employees. Employees are encouraged to exchange information, ideas and views about matters of mutual interest and concern through both formal and informal channels. The Group have established various communication channels with the employees, including mailbox for recommendation and performance review meeting with the employees.

The Group's employment policy is structured to comply with the local laws and regulations such as Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282) and Minimum Wage Ordinance (Cap. 608). The Group also targets to provide a friendly, comfortable and decent working environment and career growth opportunities to our staff.

During the year ended 30 June 2019, the Group has not identified any non-compliance or breach of legislation relating to employment aspect.

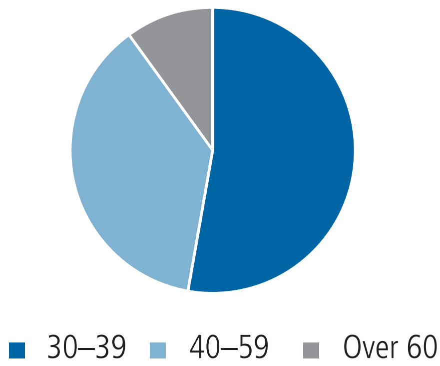
As at 30 June 2019, excluding the INEDs, the Group had 17 employees and all of them are based in Hong Kong. Below are certain key charts in relation to our employment aspects.

2019 Employee distribution by gender



Environmental, Social and Governance Report

2019 Employee distribution by age



B2. Health and Safety

The Group places emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, our subcontractors and the general public in hazards. The Group has implemented an occupational health and safety measures as required by relevant occupational health and safety laws, rules and regulations under the supervision of the executive Directors.

Due to the nature of works in the construction industry, workers at the sites are prone to safety hazards. In order to provide a safe and healthy working environment for the employees and subcontractors and to ensure compliance with the applicable laws and regulations in Hong Kong, the Group implements the safety control policy at the commencement and during the implementation period of each project.

The safety control policy is documented in writing and supplemented with instructions, training and demonstrations. The Group requires strict implementation of and adherence to the safety control policy. The Group will continue to put adequate resources and effort to uphold and improve the safety management in order to reduce the risks related to safety issues.

The safety control policy adopted and used during the year ended 30 June 2019 sets out work safety measures to prevent common accidents which could happen at sites. Some details of the safety plan are set out below:

— Our site safety committee, consisting the external safety officer, safety supervisor, project manager and foremen, shall visit our sites regularly to assist our executive Directors to (i) establish, approve and ensure implementation of the safety plan and review the safety plan on an annual basis; (ii) arrange meetings to review the effectiveness of safety measures taken; (iii) discuss and countersign the monthly reports submitted by the safety officer; (iv) carry out surveys and inspections to ensure that all relevant laws are being observed; (v) arrange safety trainings and talks for all levels of employees and promote awareness of accident prevention; and (vi) ensure that all newcomers to the construction sites are aware of their safety obligations;

Environmental, Social and Governance Report

— All workers are required to hold a valid construction industry safety training certificate and construction workers registration card before they enter the site;

— All new site personnel will undergo initial induction training, including core topics such as safety policy, safety knowledge and practice, safety for fire and lifting, personal protective equipment, emergency, and accident reporting. Workers will receive toolbox talks conducted by our safety supervisor and/or external safety officer; and

— Safety walk was conducted by the safety supervisor, external safety officer, site foreman and the relevant subcontractor's representatives to assess general compliance with safety requirements from time to time.

For projects that the Group act as a main contractor, when there is an accident at the works site, the Group follow the general procedures as below to ensure proper recording and handling of work injuries:

— *Fact finding and follow-up actions*
Our external safety officer and/or safety supervisor will investigate the accident by visiting the accident scene, examining the equipment and/or material involved and taking statements from the injured worker, witness(es) of the accident and other personnel in relation to the project.

Remedial actions will be taken by our project management team to remove imminent danger and to prevent occurrence of similar accidents in the future. Our external safety officer will also carry out follow-up inspection to ensure that remedial works are implemented.

— *Reporting*
Our project manager and/or external safety officer and/or safety supervisor will prepare a work injury report and submit it to the Labour Department within the period as specified under the relevant laws and regulations.

Our administrative department will report to the insurance company and, where the claim is significant, consult external legal adviser (if necessary).

— *Settlement or litigation*
Settlement of any claim will be handled by the insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

The Group have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for any work-related injuries for employees.

During the year ended 30 June 2019, our Group has not encountered any fatal construction accident on construction sites and did not identify any non-compliance to the relevant laws, rules and regulations relating to safety and health. The Directors are of the view that the safety management system is adequate and the Group have obtained OHSAS 18001:2007 in respect of our safety and health management system.

Environmental, Social and Governance Report

B3. Development and Training

The Group believes that continuous education and training is important to maintain the service quality, so the Group use the best effort to train and retain appropriate and suitable personnel. New employees are required to receive training to familiarise themselves with the applicable rules and regulations and the requirements of their jobs before they start their work. The Group also encourages relevant personnel to attend training courses to keep them up to date with the latest developments and best practices in the industry to enhance their work performance. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel is required to cope with the Group's business development.

B4. Labour Standards

The Group strictly complies with the relevant requirements of the labour laws. All job applicants must conform to the age requirement specified by local laws. The Group forbids the recruitment of child and forced labours, for which a procedure of selection and recruitment is adopted. The Group also takes practicable steps to comply the labour laws:

— The Group's human resources and administrative officers inspect and take copy of the original of the worker's Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong;

— The Group's subcontractors are required to hire only persons who are lawfully employable to work on site and to prevent any illegal worker to enter the site; and

— The Group's foremen are responsible for inspecting the personal identification document of each worker and shall refuse any person who does not possess proper personal identification document from entering the site.

During the year ended 30 June 2019, the Group has not identified any non-compliance of child and forced labour-related laws and regulations.

Environmental, Social and Governance Report

Operating Practices

B5. Supply Chain Management

The Group purchases construction materials and other miscellaneous goods for the construction sites from suppliers and engages subcontractors to perform the construction works. Supply chain management is a key component in the quality control system of the Group so strict controls are implemented to ensure its effectiveness and efficiency.

The Group maintains an internal list of approved subcontractors and suppliers which is updated on a continuous basis. While engaging a subcontractor, the Company generally selects the most suitable subcontractor from the approved list based on its relevant skill sets and experience, availability and fee quotations. With regard to construction materials, unless the customers require the Group to order from designated suppliers, the Group generally procure materials from the list of the internally approved suppliers which the Group have maintained satisfactory business relationship and the products provided are with good quality. The Group generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on a few suppliers and subcontractors.

The Group emphasizes fair and open procurement. The Group will strictly monitor the staff and personnel to prevent any business bribery. Employees or personnel having any interest relationship with the supplier should not be involved in the related business activity.

During the year ended 30 June 2019, the Group had no material shortage of the construction materials and did not experience any material shortage or delay in the supply of materials or services from the subcontractors. The Group has also obtained ISO 9001:2015 in respect of our quality control on daily operation.

B6. Product Responsibility

Project quality control

The Group believes that the quality of the work and reputation are crucial to winning future tenders and securing future business opportunities. As such, the Group place strong emphasis on quality control of the work to ensure that the work meets with or exceeds the required standards.

The project management team holds regular meetings with the customers and the subcontractors to review the progress of the projects and to resolve any problems which may arise. Daily progress reports, contractor reports and site photos are submitted to the customers during such meetings, if required. Upon completion of the work, various tests will be performed to confirm that the specified standards have been met and practical completion certificate will be issued by the architect.

During the Reporting Period, the Group had met the requirements of the customers and complied with all relevant laws and regulations applicable to works. The Group has also obtained ISO 9001:2015 in respect of the Group's quality control.

Environmental, Social and Governance Report

Data privacy

The Group emphasizes the importance of data privacy. It strives to protect the privacy of its customers, business partners and staff in the collection, processing and use of their business or personal data. The Group strictly follows the data protection laws and regulations of Hong Kong.

During the year ended 30 June 2019, the Group has not identified any issues on data privacy.

B7. Anti-corruption

The Group believes that honesty, integrity and fairness are of vital importance to its business operations. All employees are required to comply with the Company's code of conduct which stipulated the Group's internal anti-bribery and corruption guidelines. The Group has also established whistle-blowing policy for the employees to report any misconduct. Effective internal controls at different business processes have also been implemented by the Group to prevent and detect fraudulent activities.

During the year ended 30 June 2019, the Group has not identified any material non-compliance of corruption and anti-money laundering-related laws and regulations.

Community

B8. Community Investment

The Group emphasizes the importance of corporate social responsibilities. Apart from commercial activities, the Group encourages its management and staff to participate in community services to contribute to the society. In the meantime, it also motivates staff to actively participate in public welfare activities such as charitable donations and volunteer visits to contribute to the society in multiple aspects.

Independent Auditor's Report

To the Shareholders of WT Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of WT Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 103, which comprise:

- the consolidated statement of financial position as at 30 June 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows:

- Measurement of value of construction works
- Loss allowances of trade and retention receivables and contract assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of value of construction works	
Refer to Note 2.19 to the basis of preparation and accounting policies, Note 4(a) to the critical accounting estimates and judgements and Note 6 to the consolidated financial statements. For the year ended 30 June 2019, the Group's revenue recognised for contract works amounted to approximately HK$82,775,000. The Group's revenue from construction contracts is recognised over time using the output method, based on direct measurements of the value of works transferred by the Group to the customer as estimated by the management. Management periodically measures the value of the construction works completed for each construction project based on surveys of specialised works and general building works completed by the Group and certified by architects, surveyors or other representatives appointed by the customers and estimates the value of works completed but yet to be certified at the end of each reporting period. Management estimated the value of uncertified works based on surveys carried out by internal technicians and revisited with reference to certification subsequently performed by architects, surveyors or other representatives appointed by the customers. The Group regularly reviews and revises the estimation of construction contract progresses whenever there is any change in circumstances. We focused on this area due to the significance of the revenue to the consolidated financial statements and the significant estimates and judgements involved in the estimation.	Our procedures in relation to the measurement of value of construction works included: • We understood, evaluated and validated the key controls on a sample basis over the recognition of contract revenue; • We inspected material construction contracts of the Group for agreed contract sum and variations, if any; • We assessed the competence, capabilities and objectivity of the architects, surveyors or other representatives appointed by the customers; • We traced the value of construction works at the year end to the corresponding certificates; and tested the revenue recognition for the current year on a sample basis; and • We assessed management's estimates on the value of uncertified works by inspecting the relevant documents on a sample basis which included certificates, payment applications to customers and other supporting documents that indicate the value of construction works completed up to date. We found that the judgements and estimates adopted by management in the recognition of revenue were supportable by available evidence.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Loss allowances of trade and retention receivables and contract assets

Refer to Note 2.9 to the basis of preparation and accounting policies, Note 3.1(b) to the financial risk and capital risk management, Note 4(b) to the critical accounting estimates and judgements and Notes 14 and 15 to the consolidated financial statements.

As at 30 June 2019, gross trade and retention receivables and contract assets amounted to approximately HK$22,831,000 and HK$20,515,000, respectively, which represented approximately 28% and 25% of the total assets of the Group, respectively, and total loss allowances of approximately HK$2,289,000 and HK$270,000 were provided against the gross amounts of trade and retention receivables and contract assets, respectively.

Management assessed the loss allowances of trade and retention receivables and contract assets based on assumptions about expected credit loss rates. The Group used judgements in making these assumptions and selecting the inputs to the computation of expected credit losses, taking into account the background and reputation of the customers, historical settlement records, past experience and the identified key economic variables impacting credit risk and expected credit losses.

Management also considered forward-looking information that may impact the customer's ability to repay the outstanding balances.

We focused on this area as the balances of trade and retention receivables and contract assets were material to the consolidated financial statements and the assessments on the loss allowances on these receivables involved significant judgments and estimates by management.

We have performed the following procedures in relation to the loss allowances on trade and retention receivables and contract assets:

- We understood, evaluated and validated the key controls on a sample basis in respect of credit procedures performed by management, including the procedures on periodic review on aged receivables and assessment on changes in credit risk of their customers;

- We discussed with management to understand their process of assessing credit risk on their customers. We corroborated management's explanation with supporting evidence, including checking, on a sample basis, the ageing profile of trade and retention receivables and contract assets to the underlying invoices and certificates;

- We understood and evaluated the modelling methodologies used by management for measuring expected credit losses; assessed key parameters and assumptions made by management with reference to the relevant historical credit loss data of the Group and observable external economic data; and

- We assessed management's forward-looking information by comparing the data used by management against publicly available information.

Based on the procedures performed, we found the judgements and estimates adopted by management in determining the loss allowances of trade and retention receivables and contract assets were supportable by available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Chun Yu.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 September 2019

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	6	**82,775**	44,995
Cost of sales	7	**(65,510)**	(37,174)
Gross profit		**17,265**	7,821
Other income	6	**16**	262
Administrative expenses	7	**(8,827)**	(17,752)
Loss allowances of financial assets and contract assets	3.1(b)	**(904)**	–
Operating profit/(loss)		**7,550**	(9,669)
Finance income	9	**27**	58
Finance costs	9	**(18)**	(31)
Finance income, net	9	**9**	27
Profit/(loss) before income tax		**7,559**	(9,642)
Income tax (expense)/credit	10	**(1,123)**	79
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company		**6,436**	(9,563)
Earnings/(loss) per share (expressed in HK cents per share)			
Basic and diluted	11	**0.6**	(1.1)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property and equipment	12	788	1,101
Deposits and prepayments	16	203	88
		991	1,189
Current assets			
Trade and retention receivables	14	20,542	35,305
Contract assets	15	20,245	–
Deposits, prepayments and other receivables	16	3,855	2,739
Amounts due from customers for contract works	18	–	4,965
Current income tax recoverable		2,589	–
Restricted cash	17	4,682	4,652
Cash and cash equivalents	17	29,726	30,045
		81,639	77,706
Total assets		82,630	78,895
EQUITY			
Share capital	22	10,000	10,000
Share premium	22	36,855	36,855
Other reserves	23	10,100	10,100
Retained earnings		13,760	12,247
Total equity		70,715	69,202
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	21	184	334
Deferred income tax liabilities	25	97	66
		281	400

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade and retention payables	*19*	**6,709**	2,493
Accruals and other payables	*20*	**4,775**	4,268
Amounts due to customers for contract works	*18*	**–**	1,489
Obligations under finance leases	*21*	**150**	143
Current income tax liabilities		**–**	900
		11,634	9,293
Total liabilities		**11,915**	9,693
Total equity and liabilities		**82,630**	78,895

The consolidated financial statements on pages 54 to 103 were approved for issue by the Board of Directors on 23 September 2019 and were signed on its behalf.

Mr. KUNG Cheung Fai Patrick
Director

Mr. YIP Shiu Ching
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Attributable to owners of the Company				
	Share capital HK$'000 *(Note 22)*	**Share premium** HK$'000 *(Note 22)*	**Other reserves** HK$'000 *(Note 23)*	**Retained earnings** HK$'000	**Total** HK$'000
At 1 July 2017	–	–	10,100	24,810	34,910
Comprehensive loss:					
Loss and total comprehensive loss for the year	–	–	–	(9,563)	(9,563)
Transactions with owners in their capacity as owners:					
Issuance of shares and effects of the reorganisation	–	–	–	–	–
Capitalisation of shares *(Note 22)*	7,500	(7,500)	–	–	–
Issue of new shares upon Listing *(Note 22)*	2,500	52,500	–	–	55,000
Listing expenses charged to share premium *(Note 22)*	–	(8,145)	–	–	(8,145)
Dividends *(Note 24)*	–	–	–	(3,000)	(3,000)
At 30 June 2018	10,000	36,855	10,100	12,247	69,202
At 1 July 2018, as originally presented	**10,000**	**36,855**	**10,100**	**12,247**	**69,202**
Changes in accounting policies *(Note 2.2)*	**–**	**–**	**–**	**(4,923)**	**(4,923)**
At 1 July 2018, as restated	**10,000**	**36,855**	**10,100**	**7,324**	**64,279**
Comprehensive income:					
Profit and total comprehensive income for the year	**–**	**–**	**–**	**6,436**	**6,436**
At 30 June 2019	**10,000**	**36,855**	**10,100**	**13,760**	**70,715**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*27(a)*	**3,421**	(27,835)
Income tax paid		**(3,609)**	(762)
Net cash used in operating activities		**(188)**	(28,597)
Cash flows from investing activities			
Purchases of property and equipment		**(55)**	(134)
Interest received		**85**	–
Net cash generated from/(used in) investing activities		**30**	(134)
Cash flows from financing activities			
Proceeds from issuance of shares		**–**	55,000
Repayments of finance lease liabilities	*27(b)*	**(143)**	(426)
Interest paid		**(18)**	(31)
Dividends paid		**–**	(3,000)
Listing expenses paid		**–**	(7,095)
Net cash (used in)/generated from financing activities		**(161)**	44,448
(Decrease)/increase in cash and cash equivalents		**(319)**	15,717
Cash and cash equivalents at beginning of the year		**30,045**	14,328
Cash and cash equivalents at end of the year		**29,726**	30,045

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 July 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Flat A, 6/F, Evernew Commercial Centre, 33 Pine Street, Tai Kok Tsui, Kowloon, Hong Kong. The Company's immediate and ultimate holding company is Talent Gain Ventures Limited ("Talent Gain"), a company incorporated in the British Virgin Islands ("BVI").

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the business of specialised works and general building works in Hong Kong.

The shares of the Company were listed on GEM of the Stock Exchange (the "Listing") by way of placing and public offer on 28 December 2017.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousands (HK$'000), unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) New standards, amendments to standards and interpretation adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018:

Annual Improvement projects	Annual improvements 2014–2016 cycle (Amendments)
HKAS 40 (Amendments)	Transfers of investment property
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New standards, amendments to standards and interpretation adopted by the Group *(Continued)*

The Group had to change its accounting policies but no retrospective adjustments were resulted following the adoption of HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"). The impact of these standards and new accounting policies are disclosed in Note 2.2.

Save as disclosed in Note 2.2 below, the adoption of other amendments to standards and interpretation did not have any material impact on the consolidated financial statements of the Group for the year.

(b) New standards, amendments to standards and interpretations not yet adopted

HKFRS 16 "Leases"

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.21 with the Group's future operating lease commitments, which are not reflected in the consolidated statement of financial position, set out in Note 29. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statement of financial position.

Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated statement of comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and finance costs will increase.

HKFRS 16 is mandatory for financial years commencing on or after 1 July 2019. The Group will not adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amount for the year prior to first adoption, and management expects the impact on the Group's net profit upon the adoption of HKFRS 16 to be insignificant. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at 30 June 2019 are HK$791,000 (2018: HK$447,000).

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impacts of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements. As explained below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new standards are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the opening consolidated statement of financial position on 1 July 2018.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in Note 2.9 below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

Impact of adoption:

(i) Classification and measurement

On 1 July 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of HKFRS 9 did not have material impact on the classification and measurement of the Group's financial assets and liabilities.

(ii) Impairment of financial assets and contract assets

The Group has three types of financial assets and contract assets that are subject to HKFRS 9's new expected credit loss model:

- Trade and retention receivables;
- Contract assets; and
- Other financial assets at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment of financial assets and contract assets (Continued)

Trade and retention receivables and contract assets

The Group applies HKFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade and retention receivables and contract assets.

The change in impairment methodologies resulted in an increase in the loss allowances on 1 July 2018 by HK$1,533,000 for trade and retention receivables and HK$122,000 for contract assets respectively. Note 3.1(b) provides for details about the calculation of the loss allowances.

The loss allowances increased by a further HK$756,000 to HK$2,289,000 for trade and retention receivables and by HK$148,000 to HK$270,000 for contract assets during the current reporting period.

Other financial assets at amortised cost

For other financial assets at amortised cost, the loss allowance is measured based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the loss allowance will be measured based on the lifetime expected credit loss. Management has closely monitored the credit quality and the collectability of the other financial assets at amortised cost and considers that the resulted increase in loss allowance at 1 July 2018 was immaterial.

While bank deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue" ("HKAS 18"), which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts" ("HKAS 11"), which specified the accounting for construction contracts. The Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings at 1 July 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 July 2018.

Under HKFRS 15, the Group recognises revenue over time when (or as) the control of an underlying performance obligation, i.e. a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods of services that are substantially the same, is transferred to the customer over time.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) HKFRS 15 Revenue from Contracts with Customers *(Continued)*

In line with HKFRS 15, the Group continues to apply the output method in recognising the revenue from construction contracts over time by reference to the progress towards complete satisfaction of the relevant performance obligation. The progress towards complete satisfaction of a relevant performance obligation is measured based on the progress certificate (which would make reference to the amounts of the completed works during the relevant period) certified by the architects, surveyors or other representatives appointed by the customers and estimation of value of works completed but yet to be certified at the end of each reporting period. Accordingly, the Group re-measured its trade and retention receivables and contract assets, in relation to the estimation of value of works completed but yet to be certified, as at 1 July 2018 with the impact recognised to the retained earnings.

(i) Accounting for construction services

Under HKAS 11, the Group charged the incurred construction costs to the consolidated statement of comprehensive income by reference to the stage of completion of the contract activity at the end of relevant reporting period. Construction costs that have been incurred but deferred to be recognised in the consolidated statement of comprehensive income are included in amounts due from customers for contract works. Similarly, amounts due to customers for contract works result from the excess of the recognition of construction costs as expenses according to the percentage of completion over the actual costs incurred (which mainly represent the amount paid or payable to our suppliers and subcontractors) up to the end of each reporting period.

Under HKFRS 15, construction cost incurred up to each reporting date in satisfying the performance obligation is recognised as expense in the consolidated statement of comprehensive income, unless such cost is qualified for capitalisation based on either the costs to obtain or costs to fulfill the contract guidance. Accordingly, those amounts due from/(to) customers for contract works recognised under HKAS 11 have been charged/(credited) to the retained earnings.

(ii) Presentation of assets and liabilities related to contracts with customers

Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts or mutually agreed, were included in the trade and retention receivables. Upon adoption of HKFRS 15, those retention receivables recognised under HKAS 11 that are conditional on factors other than passage of time are reclassified to contract assets. Accordingly, the Group reclassified certain trade and retention receivables to contract assets as at 1 July 2018.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(c) Impacts to the consolidated financial statements of adoption of HKFRS 9 and HKFRS 15

The following table summarises the impacts of adopting HKFRS 9 and HKFRS 15 on the Group's opening consolidated statement of financial position as at 1 July 2018:

	As originally presented HK$'000	Effects of the adoption of HKFRS 9 HK$'000	Effects of the adoption of HKFRS 15 HK$'000	As restated HK$'000
At 1 July 2018				
Non-current (liabilities)/assets				
Deferred income tax	(66)	273	699	906
Current assets				
Trade and retention receivables	35,305	(1,533)	(9,749)	24,023
Contract assets	–	(122)	8,985	8,863
Amounts due from customers for contract works	4,965	–	(4,965)	–
Current liabilities				
Amounts due to customers for contract works	(1,489)	–	1,489	–
Equity				
Retained earnings	(12,247)	1,382	3,541	(7,324)

For the current reporting period, the application of HKFRS 15 as compared to HKAS 11 resulted in decrease in revenue and the respective decrease in trade and retention receivables and contract assets of approximately totalling HK$1,605,000, decrease in cost of sales and the respective decrease in trade payables of approximately HK$5,349,000, increase in income tax expense and the respective decrease in income tax recoverable of approximately HK$618,000.

Saved as disclosed above, there is no other significant impact to the consolidated financial statements for the year ended 30 June 2019 in relation to the application of HKFRS 15 as compared to HKAS 11.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.3 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM").

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis.

2.7 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Motor vehicles classified as finance lease commences depreciation from the time when the assets become available for its intended use. Depreciation of property and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Furniture and equipment	20%
Motor vehicles under finance leases	20% or over the lease term, whichever is shorter

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.8 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

(a) Classification

From 1 July 2018, the Group classifies its financial assets at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of comprehensive income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classified its debt instruments.

— Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of comprehensive income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

(d) Impairment

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and retention receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

(e) Accounting policies applied until 30 June 2018

The Group has applied HKFRS 9 since 1 July 2018, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 30 June 2018 the Group classifies its financial assets in loans and receivables. The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(i) Subsequent measurement

The measurement at initial recognition did not change on adoption of HKFRS 9. Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

(ii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

(e) Accounting policies applied until 30 June 2018 *(Continued)*

(ii) Impairment (Continued)

Assets carried at amortised cost *(Continued)*

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the consolidated statement of comprehensive income.

Impairment testing of trade and retention receivables is described in Note 3.1(b).

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Trade and other receivables

Trade and retention receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and retention receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b) for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within the credit term. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period (or in the normal operating cycle of the business if longer). They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.15 Finance costs

Finance costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.17 Employee benefits

(a) Pension obligations

The Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income up to a maximum of HK$1,500 per employee per month. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees in Hong Kong.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(b) Bonus plans

The expected costs of bonus payment are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition

(a) Recognition

The Group provides services on specialised works and general building works under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates and enhances an asset that the customer controls as the Group performs. Revenue from provision of specialised works and general building works is therefore recognised over time for each individual contract by using output method, i.e. on the basis of measurement of the value of services transferred to the customer to date. The measurement is based on surveys of specialised works and general building works completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customers and adjusted by the estimated value of works which is yet to be certified. The management of the Group considers that output method would faithfully depict the Group's performance towards satisfaction of performance obligation under HKFRS 15.

Variable consideration

For contracts that contain variable consideration (variation order of construction works), the Group estimates the amount of consideration to which it will be entitled using either (i) the expected value method or (ii) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

When there is change in circumstances, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to better predict the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Warranty

For warranty embedded to the construction contracts, the Group accounts for the warranty in accordance with HKAS 37, "Provision, Contingent Liabilities and Contingent Assets" as the warranty provides the customer with assurance that the contracting work complies with the agreed-upon specifications.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customers or the Group with a significant benefit of financing the transfer or services to customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties of the contracts.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

(a) Recognition *(Continued)*

Existence of significant financing component (Continued)

Notwithstanding the above, a contract does not have a significant financing component in circumstances where payments are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing.

(b) Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

(c) Contract assets and contract liabilities

A contract asset represents the Group's right to consideration from customers in exchange for the provision of specialised works and general building works that the Group has transferred to the customers that is not yet unconditional. Contract assets arise when the Group has completed the specialised works and general building works under the relevant contracts but the works have yet to be certified by architects, surveyors or other representatives appointed by the customers and/or the Group's right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade and retention receivables at the point when the Group's right to payment becomes unconditional other than passage of time.

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

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.21 Leases

Leases of plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 29). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.23 Interest income

Interest income is recognised on a time-proportion basis using effective interest method.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from finance lease liabilities and cash and cash equivalents. Finance lease liabilities obtained at fixed rates expose the Group to fair value interest rate risk and cash at banks expose the Group to cash flow interest rate risk.

However, the interest expense derived therefrom is relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(b) Credit risk

(i) Risk management

The credit risk of the Group mainly arises from its trade and retention receivables, contract assets, deposits and other receivables, restricted cash, and cash and cash equivalents. The carrying amounts of these balances substantially represent the Group's maximum exposure to credit and counterparty risk in relation to financial assets and contract assets.

It is the Group's policy that all customers who wish to have credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group is exposed to concentration of credit risk as at 30 June 2019 on gross trade and retention receivables and contract assets from the Group's top five debtors amounting to approximately HK$40,834,000 (2018: HK$34,297,000) and accounted for 94% (2018: 97%). To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual debtor to ensure that adequate impairment provision is made for the irrecoverable amounts.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets and contract assets

The Group has three types of financial assets and contract assets that are subject to the expected credit loss model:

- Trade and retention receivables;
- Contract assets; and
- Other financial assets at amortised cost.

Trade and retention receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade and retention receivables and contract assets. To measure the expected credit losses, trade and retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to uncertified work-in-progress and retention receivables have substantially the same risk characteristics as the trade and retention receivables for the same contract. The Group has therefore concluded that the expected loss rates for trade and retention receivables are a reasonable approximation of the loss rates for the contract assets for the same contract.

The Group has performed historical analysis based on the background and reputation of the customers, historical settlement records, past experience and the identified key economic variables impacting credit risk and expected credit loss, which are considered to be available, reasonable and supportive forwarding-looking information.

As at 30 June 2019, the Group considered that there is an increase in credit risk of amount due from a customer totalling HK$11,007,000 (1 July 2018: HK$15,696,000) since initial recognition through information developed internally and external resources. The expected credit losses of the associated trade and retention receivables and contract assets were HK$2,289,000 and HK$270,000 (1 July 2018: HK$1,533,000 and HK$122,000), respectively, based on an expected loss rate of approximately 23% (1 July 2018: 11%). Except for the balance above, the management assessed that the expected credit loss rate for other trade and retention receivables and contract assets is close to zero and no loss allowance was made.

Trade and retention receivables and contract assets are written off when there is no reasonable expectation of recovery. Impairment losses on trade and retention receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets and contract assets (Continued)

Previous accounting policy for impairment of trade and retention receivables

In the prior year, the impairment of trade and retention receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Other financial assets at amortised cost

The credit quality of the deposits and other receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of deposits and other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of deposits and other receivables is assessed to be close to zero.

The credit risk on restricted cash and cash and cash equivalents are considered to be low as counterparties are reputable banks and insurance companies with sound credit ratings. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 30 June 2019				
— Obligations under finance leases	**161**	**161**	**28**	**350**
— Accruals and other payables	**4,301**	**–**	**–**	**4,301**
— Trade and retention payables	**6,709**	**–**	**–**	**6,709**
	11,171	**161**	**28**	**11,360**
As at 30 June 2018				
— Obligations under finance leases	161	161	189	511
— Accruals and other payables	3,578	–	–	3,578
— Trade and retention payables	2,493	–	–	2,493
	6,232	161	189	6,582

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-asset ratio, the ratio is calculated as total debts divided by total assets. Total debts represent finance lease liabilities.

	2019	2018
	HK$'000	HK$'000
Total debts	**334**	477
Total assets	**82,630**	78,895
Debt-to-asset-ratio	**0.4%**	0.6%

The change in debt-to-asset ratio is related to decrease in debts and profits derived during the year.

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets, including trade and retention receivables, deposits and other receivables, restricted cash and cash and cash equivalents, and current financial liabilities, including trade and retention payables, accruals and other payables, and finance lease liabilities, approximate their fair values as at the reporting date due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with maturities of less than one year are assumed to approximate their fair values. The carrying value of non-current finance lease liabilities is assumed to approximate its fair value as the amount bears interest at commercial rate.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Measurement of value of construction works

Management measures the value of completed construction works based on output method, which is to recognise revenue on the basis of measurement of the value of construction works transferred to the customers. The management's estimate of revenue and the progress of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised.

Management periodically measures the value of the construction works completed for each construction project based on surveys of specialised works and general building works completed by the Group and certified by architects, surveyors or other representatives appointed by the customers and estimates the value of works completed but yet to be certified at the end of each reporting period. Management estimated the value of uncertified works based on surveys carried out by internal technicians and revisited with reference to certification subsequently performed by architects, surveyors or other representatives appointed by the customers. The Group regularly reviews and revises the estimation of construction contract progresses whenever there is any change in circumstances.

(b) Loss allowances of trade and retention receivables and contract assets

The loss allowances of trade and retention receivables and contract assets are based on assumptions about risk of default, expected loss rates and forward-looking information. The Group uses judgements in making these assumptions and selecting the inputs to the calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

5 SEGMENT INFORMATION

The CODM has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of specialised works and general building works in Hong Kong. Information reported to CODM for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis is presented.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(Continued)*

The Group is domiciled in Hong Kong and revenue are all derived from external customers in Hong Kong for the year (2018: same). During the year, revenue from 4 (2018: 3) customers individually contributed over 10% of the Group's revenue. The revenue from each of these customers during the year are summarised below:

	2019 HK$'000	2018 HK$'000
Customer A	**31,986**	N/A *(Note)*
Customer B	**18,705**	18,772
Customer C	**18,393**	11,580
Customer D	**10,626**	N/A *(Note)*
Customer E	**N/A** *(Note)*	5,941

Note: The corresponding customers did not contribute over 10% of the total revenue of the Group for the specific year.

6 REVENUE AND OTHER INCOME

Revenue and other income recognised during the year are as follows:

	2019 HK$'000	2018 HK$'000
Revenue:		
Contract revenue	**82,775**	44,995
Other income:		
Sundry income	**16**	262

Contract revenue are recognised over time during the year ended 30 June 2019.

Notes to the Consolidated Financial Statements

7 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2019 HK$'000	2018 HK$'000
Construction costs recognised in cost of sales *(Note a)*	**65,510**	37,174
Employee benefits expenses, including directors' emoluments *(Note b)*	**4,633**	4,660
Depreciation *(Note 12)*	**368**	349
Listing expenses	**–**	9,176
Legal and professional fees	**1,636**	1,641
Auditors' remuneration		
— Audit services	**950**	900
Operating lease charges in respect of the Group's office premises	**272**	265
Motor vehicle expenses	**390**	380
Utility expenses	**79**	73
Others	**499**	308
Total cost of sales and administrative expenses	**74,337**	54,926

Notes:

(a) Construction costs included costs of construction materials, staff costs (refer to Note (b) below), subcontracting charges, insurance and transportation.

(b) Employee benefits expenses, including directors' emoluments

	2019 HK$'000	2018 HK$'000
Wages, salaries, bonuses and other benefits	**10,813**	10,144
Pension costs — defined contribution plans	**280**	245
Less: Amount included in construction costs (2018: Amount included in construction costs or capitalised in work-in-progress)	**(6,460)**	(5,729)
	4,633	4,660

Notes to the Consolidated Financial Statements

7 EXPENSES BY NATURE *(Continued)*

Notes: (Continued)

(c) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 3 directors for the year (2018: 3), whose remuneration are reflected in the analysis presented in Note 8(a) below.

The remuneration paid to the remaining 2 (2018: 2) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Wages, salaries and other benefits	1,530	1,413
Bonuses	130	146
Pension costs — defined contribution plans	36	36
	1,696	1,595

The emoluments of these individuals fell within the band of nil — HK$1,000,000 during the year.

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any for the five highest paid individuals during the year.

8 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors of the Company paid and payable by the Group for the year are set out below:

For the year ended 30 June 2019:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind *(Note)* HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:						
Mr. Kung Cheung Fai Patrick	–	1,184	99	–	18	1,301
Mr. Yip Shiu Ching (Chairman)	–	1,184	99	–	18	1,301
Mr. Kam Kin Bun	–	862	99	322	18	1,301
Ms. Du Juan*	–	350	–	–	9	359
Independent non-executive directors:						
Mr. Leung Chi Hung	180	–	–	–	–	180
Ms. Hung Siu Woon Pauline	180	–	–	–	–	180
Ms. Wong Lai Na	180	–	–	–	–	180
	540	3,580	297	322	63	4,802

* Ms. Du Juan was appointed as the Company's executive director on 4 December 2018 and resigned on 30 August 2019.

Notes to the Consolidated Financial Statements

8 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 30 June 2018:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind *(Note)* HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:						
Mr. Kung Cheung Fai Patrick	–	1,107	99	–	3	1,209
Mr. Yip Shiu Ching (Chairman)	–	1,107	99	–	18	1,224
Mr. Kam Kin Bun	–	815	99	292	18	1,224
Independent non-executive directors:						
Mr. Leung Chi Hung	90	–	–	–	–	90
Ms. Hung Siu Woon Pauline	90	–	–	–	–	90
Ms. Wong Lai Na	90	–	–	–	–	90
	270	3,029	297	292	39	3,927

Note: The allowances and benefits in kind represent the operating lease charge paid for a director's quarter.

The remuneration shown above represents remuneration received or receivable from the Group by the executive directors in their capacity as employees to the Company and the Company's subsidiary, Wai Tat Foundation & Engineering Limited.

No directors waived any emolument during the year.

No emoluments were paid by the Company or its subsidiaries to the directors as an inducement to join the Company or its subsidiaries, or as compensation for loss of office during the year.

Notes to the Consolidated Financial Statements

8 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2018: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2018: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year, the Group did not pay consideration to any third parties for making available directors' services (2018: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2018: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 26, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly; subsisted at the end of the year or at any time during the year (2018: Nil).

9 FINANCE INCOME, NET

	2019 **HK$'000**	2018 HK$'000
Finance income		
Bank interest income	**27**	58
Finance costs on:		
— Finance lease liabilities	**(18)**	(31)
	9	27

Notes to the Consolidated Financial Statements

10 INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the year ended 30 June 2019 (2018: No Hong Kong profits tax has been provided as the Group did not have assessable profit for the year).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's companies with estimated assessable profits for annual reporting periods ending on or after 1 April 2018.

No overseas profits tax has been calculated for entities of the Group that are incorporated in the BVI or the Cayman Islands as they are exempted from tax (2018: same).

The amount of income tax expense/(credit) charged to the consolidated statement of comprehensive income represents:

	2019 **HK$'000**	2018 HK$'000
Current income tax		
— Hong Kong profits tax	**120**	–
Deferred income tax *(Note 25)*	**1,003**	66
Over provision in prior year	**–**	(145)
Income tax expense/(credit)	**1,123**	(79)

Notes to the Consolidated Financial Statements

10 INCOME TAX EXPENSE/(CREDIT) *(Continued)*

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the enacted tax rate of the group entities as follows:

	2019 HK$'000	2018 HK$'000
Profit/(loss) before income tax	**7,559**	(9,642)
Tax calculated at a tax rate of 16.5% (2018: 16.5%)	**1,247**	(1,590)
Tax effect under two-tiered profits tax rates regime	**(120)**	–
Expenses not deductible for tax purposes	**–**	1,666
Income not subject to tax	**(4)**	(10)
Over provision in prior year	**–**	(145)
Income tax expense/(credit)	**1,123**	(79)

11 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. In determining the weighted average number of ordinary shares for the year ended 30 June 2018, the additional 749,999,000 shares issued pursuant to the capitalisation issue in respect of the Listing were treated as if they had been issue since 1 July 2017.

	2019	2018
Profit/(loss) attributable to owners of the Company (in HK$'000)	**6,436**	(9,563)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**1,000,000,000**	876,712,329
Earnings/(loss) per share (HK cents per share)	**0.6**	(1.1)

(b) Diluted

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share due to the absence of dilutive potential ordinary shares during the respective years.

Notes to the Consolidated Financial Statements

12 PROPERTY AND EQUIPMENT

	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 July 2017			
Cost	404	1,834	2,238
Accumulated depreciation	(66)	(856)	(922)
Net book amount	338	978	1,316
Year ended 30 June 2018			
Opening net book amount	338	978	1,316
Additions	134	–	134
Depreciation	(97)	(252)	(349)
Closing net book amount	375	726	1,101
At 30 June 2018			
Cost	538	1,834	2,372
Accumulated depreciation	(163)	(1,108)	(1,271)
Net book amount	375	726	1,101
Year ended 30 June 2019			
Opening net book amount	**375**	**726**	**1,101**
Additions	**55**	**–**	**55**
Depreciation	**(116)**	**(252)**	**(368)**
Closing net book amount	**314**	**474**	**788**
At 30 June 2019			
Cost	**592**	**1,834**	**2,426**
Accumulated depreciation	**(278)**	**(1,360)**	**(1,638)**
Net book amount	**314**	**474**	**788**

Depreciation expense of approximately HK$368,000 (2018: HK$349,000) for the year has been recorded in administrative expenses.

Notes to the Consolidated Financial Statements

12 PROPERTY AND EQUIPMENT *(Continued)*

Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	2019 HK$'000	2018 HK$'000
Cost-capitalised finance leases	770	770
Accumulated depreciation	(394)	(240)
Net book amount	376	530

The Group leases various motor vehicles under finance lease arrangements. As at 30 June 2019, the lease terms ranged from 4.5 to 5 years (2018: 4.5 to 5 years) and ownership of assets lie within the Group.

13 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	2019 HK$'000	2018 HK$'000
Financial assets at amortised cost:		
Trade and retention receivables	20,542	35,305
Amounts due from customers for contract works	–	4,965
Deposits and other receivables	312	326
Restricted cash	4,682	4,652
Cash and cash equivalents	29,726	30,045
	55,262	75,293
Financial liabilities at amortised cost:		
Trade and retention payables	6,709	2,493
Accruals and other payables	4,301	3,578
Obligations under finance leases	334	477
	11,344	6,548

Notes to the Consolidated Financial Statements

14 TRADE AND RETENTION RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	21,848	27,449
Retention receivables	983	7,856
Trade and retention receivables	22,831	35,305
Less: Loss allowance *(Note 3.1(b))*	(2,289)	–
Trade and retention receivables, net	20,542	35,305

The Group's credit terms granted to third-party customers other than those retention receivables which are not yet unconditional range from 30 days to 180 days. The Group does not hold any collateral as security.

As at 30 June 2019, the ageing analysis of the third-party trade receivables, based on invoice date, was as follows:

	2019 HK$'000	2018 HK$'000
Up to 30 days	9,370	7,837
31–60 days	2,579	1,566
61–90 days	–	5,384
91–120 days	–	652
121–365 days	404	12,010
Over 1 year	9,495	–
	21,848	27,449

In the consolidated statement of financial position, retention receivables were classified as current assets based on operating cycle. The ageing of the retention receivables, based on invoice date, was as follows:

	2019 HK$'000	2018 HK$'000
Up to 1 year	45	4,256
Over 1 year	938	3,600
	983	7,856

Notes to the Consolidated Financial Statements

14 TRADE AND RETENTION RECEIVABLES *(Continued)*

The movements of loss allowance of trade and retention receivables are as follows:

	HK$'000
Loss allowance as at 1 July 2017 and 30 June 2018 under HKAS 39	–
Changes in accounting policies *(Note 2.2)*	1,533
Loss allowance as at 1 July 2018 under HKFRS 9	1,533
Loss allowance for the year	756
Loss allowance as at 30 June 2019 under HKFRS 9 *(Note 3.1(b))*	2,289

The carrying amounts of trade and retention receivables are denominated in HK$ and approximate their fair values.

15 CONTRACT ASSETS

	2019 **HK$'000**
Contract assets relating to:	
Uncertified work-in-progress	**10,451**
Retention receivables	**10,064**
	20,515
Less: Loss allowance of contract assets relating to retention receivables *(Note 3.1(b))*	**(270)**
Contract assets, net	**20,245**

Contract assets represent the Group's rights to considerations from customers for the provision of specialised works and general building works, which arise when: (i) the Group completed the relevant services under such contracts but the works are yet to be certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security. Any amount previously recognised as a contract asset is reclassified to trade and retention receivables at the point at which it is certified by architects, surveyors or other representatives appointed by the customers and becomes unconditional.

Notes to the Consolidated Financial Statements

15 CONTRACT ASSETS *(Continued)*

In the consolidated statement of financial position, contract assets relating to retention receivables were classified as current assets based on operating cycle. The ageing of the retention receivables, based on invoice date, was as follows:

	2019 HK$'000
Up to 1 year	4,910
Over 1 year	5,154
	10,064

The movements of loss allowance of contract assets are as follows:

	HK$'000
Loss allowance as at 1 July 2018 under HKAS 39	–
Changes in accounting policies *(Note 2.2)*	122
Loss allowance as at 1 July 2018 under HKFRS 9	122
Loss allowance for the year	148
Loss allowance as at 30 June 2019 under HKFRS 9 *(Note 3.1(b))*	270

The following table shows the unsatisfied performance obligations resulting from fixed-price long-term construction contracts:

	2019 HK$'000
Aggregate amount of the transaction price allocated to long-term construction contracts that are unsatisfied	83,695

Notes to the Consolidated Financial Statements

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Deposits and other receivables	**312**	326
Prepayments	**3,746**	2,501
	4,058	2,827
Less: Non-current portion		
Deposits and prepayments	**(203)**	(88)
	3,855	2,739

The carrying amounts of deposits and other receivables are denominated in HK$ and approximate their fair values.

17 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Restricted cash	**4,682**	4,652

As at 30 June 2019, restricted cash represented deposits of HK$4,682,000 (2018: HK$4,652,000) placed in insurance companies as collateral for performance bonds. Restricted cash is interest-free.

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**29,726**	30,045

The carrying amounts of cash and cash equivalents are denominated in HK$ and approximate their fair values.

Notes to the Consolidated Financial Statements

18 CONTRACTING WORK-IN-PROGRESS

	2018 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses	89,213
Less: Progress billings *(Note)*	(85,737)
Balance at end of the year	3,476
Included in current assets/(liabilities) are the following:	
Amounts due from customers for contract works	4,965
Amounts due to customers for contract works	(1,489)
	3,476

Note: The amount represents the progress billings billed and contractually billable to customers for works performed.

19 TRADE AND RETENTION PAYABLES

Trade and retention payables at the end of reporting period comprise amounts outstanding to contract creditors and suppliers. The average credit period taken for trade payables is generally 30 days.

	2019 HK$'000	2018 HK$'000
Trade payables	**3,890**	1,389
Retention payables	**2,819**	1,104
	6,709	2,493

As at 30 June 2019, the ageing analysis of the trade payables, based on invoice date, was as follows:

	2019 HK$'000	2018 HK$'000
Up to 30 days	**3,852**	1,351
31–60 days	**–**	–
61–90 days	**–**	38
Over 90 days	**38**	–
	3,890	1,389

Notes to the Consolidated Financial Statements

19 TRADE AND RETENTION PAYABLES *(Continued)*

In the consolidated statement of financial position, retention payables were classified as current liabilities. The ageing of the retention payables by invoice date was as follows:

	2019 HK$'000	2018 HK$'000
Up to 1 year	1,875	990
Over 1 year	944	114
	2,819	1,104

The carrying amounts of trade and retention payables are denominated in HK$ and approximate their fair values.

20 ACCRUALS AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Accruals for legal and professional fees	1,215	1,020
Other accruals and other payables	3,560	3,061
Provision for unutilised annual leave	–	187
	4,775	4,268

The carrying amounts of accruals and other payables are denominated in HK$ and approximate their fair values.

Notes to the Consolidated Financial Statements

21 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments	
	2019	2018
	HK$'000	HK$'000
No later than 1 year	**161**	161
Later than 1 year and no later than 5 years	**189**	350
	350	511
Less: Future finance charges on finance leases	**(16)**	(34)
Present value of finance lease liabilities	**334**	477
The present value of finance lease liabilities is as follows:		
No later than 1 year	**150**	143
Later than 1 year and no later than 5 years	**184**	334
	334	477

The Group leases its motor vehicles under finance leases. The original lease term entered by the Group for the leases outstanding as at 30 June 2019 ranged from 4.5 to 5 years (2018: 4.5 to 5 years). The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

22 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (in thousand)	**Total** HK$'000	**Share premium** HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 11 July 2017 (date of incorporation) *(Note a)*	38,000	380	–
Increase on 1 December 2017 *(Note c)*	4,962,000	49,620	–
At 30 June 2018 and 30 June 2019	5,000,000	50,000	–

Notes to the Consolidated Financial Statements

22 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

	Number of shares (in thousand)	Total HK$'000	Share premium HK$'000
Issued and fully paid:			
At 11 July 2017 (date of incorporation) *(Note a)*	–	–	–
Issue of new shares on reorganisation *(Note b)*	1	–	–
Capitalisation issue *(Note d)*	749,999	7,500	(7,500)
Issue of new shares upon Listing *(Note e)*	250,000	2,500	52,500
Listing expenses charged to share premium *(Note e)*	–	–	(8,145)
At 30 June 2018 and 30 June 2019	1,000,000	10,000	36,855

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 July 2017. The authorised share capital on the date of incorporation of the Company was HK$380,000 consisting of 38,000,000 shares with a par value of HK$0.01 each. On the date of incorporation, one share fully paid at par was allotted and issued to the initial subscriber to the memorandum and Articles of Association of the Company, which was transferred to Talent Gain on the same day.

(b) On 24 November 2017, the Company acquired 900 shares in Vision Perfect Ventures Limited ("Vision Perfect") from Mr. Kung Cheung Fai Patrick, Mr. Yip Shiu Ching and Mr. Kam Kin Bun, respectively and in consideration of such share transfers, the Company allotted and issued an aggregate of 899 shares, credited as fully paid, to Talent Gain. On the same day, the Company acquired 100 shares in Vision Perfect from Excel Jumbo Limited ("Excel Jumbo"), and in consideration of such share transfer, the Company allotted and issued 100 shares, credited as fully paid, to Excel Jumbo.

(c) On 1 December 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 shares of HK$0.01 each by creation of additional 4,962,000,000 shares.

(d) Pursuant to the resolutions passed by the then shareholders of the Company on 1 December 2017, subject to the share premium account of the Company being credited as a result of the listing of the shares of the Company by way of placing and public offer or otherwise having sufficient balance, the Directors allotted and issued a total of 749,999,000 shares credited as fully paid at par to the holders of shares on the register of members of the Company as at 1 December 2017 (or to their respective nominees) in proportion to their shareholdings in the Company by way of capitalisation of the sum of HK$7,499,990 standing to the credit of the share premium account of the Company.

(e) Upon the completion of the Listing, 250,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.22 per share for a total consideration of HK$46,855,000, net of share issuing expenses.

23 RESERVES

Other reserves of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the reorganisation over nominal value of the share capital of the Company issued in exchange thereof.

Notes to the Consolidated Financial Statements

24 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 30 June 2019 (2018: Nil).

On 1 December 2017, Wai Tat Foundation & Engineering Limited declared a special dividend amounting to HK$3,000,000 to the then shareholders, which had been settled before Listing.

25 DEFERRED INCOME TAX

Deferred tax is calculated on temporary differences under the liability method using tax rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions.

The movements of the net deferred tax (liabilities)/assets are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 July, as originally presented	**(66)**	–
Changes in accounting policies *(Note 2.2)*	**972**	–
At 1 July, as restated	**906**	–
Charged to the consolidated statement of comprehensive income	**(1,003)**	(66)
At 30 June	**(97)**	(66)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Tax losses HK$'000
At 1 July 2017	–
Credited to the consolidated statement of comprehensive income	58
At 30 June 2018	58
Changes in accounting policies	972
At 1 July 2018, as restated	1,030
Charged to the consolidated statement of comprehensive income	(1,030)
At 30 June 2019	–

Notes to the Consolidated Financial Statements

25 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities

	Accelerated depreciation allowance HK$'000
At 1 July 2017	–
Charged to the consolidated statement of comprehensive income	(124)
At 30 June 2018	(124)
Credited to the consolidated statement of comprehensive income	27
At 30 June 2019	(97)

26 RELATED PARTIES TRANSACTIONS

(a) Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals were related parties that had transactions or balances with the Group during the year:

Name	Relationship with the Group
Mr. Kung Cheung Fai Patrick	Shareholder and executive director
Mr. Yip Shiu Ching	Shareholder and executive director
Mr. Kam Kin Bun	Shareholder and executive director
Ms. Du Juan	Executive director (appointed on 4 December 2018 and resigned on 30 August 2019)

(b) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	2019 HK$'000	2018 HK$'000
Salaries, bonuses, other allowances and benefits in kind	**5,601**	4,738
Retirement benefit costs — defined contribution plans	**81**	57
	5,682	4,795

Notes to the Consolidated Financial Statements

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) before income tax to cash generated from/(used in) operations

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Profit/(loss) before income tax	**7,559**	(9,642)
Adjustments for:		
Finance income, net	**(9)**	(27)
Depreciation of property and equipment	**368**	349
Loss allowances of financial assets and contract assets	**904**	–
	8,822	(9,320)
Changes in working capital:		
Trade and retention receivables	**2,725**	(1,603)
Contract assets	**(11,530)**	–
Deposits, prepayments and other receivables	**(1,289)**	(513)
Amounts due from/(to) customers for contract works, net	**–**	(8,859)
Restricted cash	**(30)**	(2,145)
Trade and retention payables	**4,216**	(5,621)
Accruals and other payables	**507**	226
Net cash generated from/(used in) operations	**3,421**	(27,835)

(b) Reconciliation of liabilities arising from financing activities:

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for the years.

	Obligations under finance leases HK$'000
At 1 July 2017	903
Cash flows	(426)
At 30 June 2018	477
Cash flows	(143)
At 30 June 2019	334

Notes to the Consolidated Financial Statements

28 SUBSIDIARIES

The Group's principal subsidiaries as at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation	Kind of legal entity	Principal activities	Issued and paid up capital	Ownership interest held by the Group	
					2019 %	2018 %
Directly held						
Vision Perfect Ventures Limited	BVI	Limited liability company	Investment holding	US$1,000	100	100
Healthy Luck Holdings Limited	BVI	Limited liability company	Investment holding	US$100	100	N/A
Indirectly held						
Wai Tat Foundation & Engineering Limited	Hong Kong	Limited liability company	Engaged in business of foundation works, site formation works, superstructure works, demolition works and ground investigation field works	HK$100,000	100	100
Million Sea Development Limited	Hong Kong	Limited liability company	Dormant	HK$100	100	N/A

29 COMMITMENTS

Operating lease commitments — as lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2019 HK$'000	2018 HK$'000
No later than one year	569	321
Later than one year and no later than five years	222	126
	791	447

30 CONTINGENT LIABILITIES

As at 30 June 2019, the Group has given guarantees on performance bonds issued by insurance companies of HK$4,682,000 in respect of three construction contracts of the Group in its ordinary course of business (2018: HK$4,652,000 in respect of two construction contracts). These performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

Notes to the Consolidated Financial Statements

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**19,832**	19,831
Current assets			
Prepayments		**120**	45
Amount due from a subsidiary		**31,108**	31,258
Cash and cash equivalents		**100**	100
		31,328	31,403
Total assets		**51,160**	51,234
Equity			
Share capital		**10,000**	10,000
Share premium	*(a)*	**56,686**	56,686
Accumulated losses	*(a)*	**(15,527)**	(15,452)
Total equity		**51,159**	51,234
Current liability			
Amount due to a subsidiary		**1**	–
Total equity and liability		**51,160**	51,234

The statement of financial position of the Company was approved by the Board of Directors on 23 September 2019 and was signed on its behalf.

Mr. KUNG Cheung Fai Patrick	**Mr. YIP Shiu Ching**
Director	*Director*

Notes to the Consolidated Financial Statements

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Statement of financial position of the Company *(Continued)*

Note (a): **Reserve movement of the Company**

	Share premium HK$'000	Accumulated losses HK$'000
At 11 July 2017 (date of incorporation)	–	–
Issue of new shares on reorganisation *(Note i)*	19,831	–
Capitalisation of shares *(Note 22)*	(7,500)	–
Issue of new shares upon Listing *(Note 22)*	52,500	–
Listing expenses charged to share premium *(Note 22)*	(8,145)	–
Loss for the period	–	(15,452)
At 30 June 2018	56,686	(15,452)
At 1 July 2018	56,686	(15,452)
Loss for the year	–	(75)
At 30 June 2019	56,686	(15,527)

Note (i): The investment in a subsidiary was accounted for using the net asset value of the subsidiaries now comprising the Group at the date of the Reorganisation. The difference between the net asset value and the nominal value of issued share capital for the acquisition of Vision Perfect Ventures Limited amounted to approximately HK$19,831,000 was credited as share premium.

Financial Summary

RESULTS

	For the year ended 30 June			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**82,775**	44,995	75,370	44,655
Cost of sales	**(65,510)**	(37,174)	(52,625)	(31,428)
Gross profit	**17,265**	7,821	22,745	13,227
Profit/(loss) for the year	**6,436**	(9,563)	9,467	8,531

ASSETS AND LIABILITIES

	As at 30 June			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**991**	1,189	1,745	580
Current assets	**81,639**	77,706	54,487	30,266
Non-current liabilities	**281**	400	576	269
Current liabilities	**11,634**	9,293	20,746	9,434
Net current assets	**70,005**	68,413	33,741	20,832
Net Assets	**70,715**	69,202	34,910	21,143

The summary above does not form part of the consolidated financial statements.

No financial statements of the Group for the year ended 30 June 2015 have been published.

The financial information for the years ended 30 June 2016 and 2017 were extracted from the Prospectus of the Company dated 13 December 2017. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.