WT GROUP HOLDINGS LIMITED
WT 集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8422

2019/2020

ANNUAL REPORT

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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
(resigned with effect from 30 August 2019)

Independent Non-executive Directors:

Mr. Leung Chi Hung
Ms. Wong Lai Na
Ms. Hung Siu Woon Pauline
(passed away on 19 October 2019)
Ms. Yen Kwun Wing
(appointed with effect from 20 December 2019)

AUDIT COMMITTEE

Mr. Leung Chi Hung *(Chairman)*
Ms. Wong Lai Na
Ms. Yen Kwun Wing

REMUNERATION COMMITTEE

Ms. Wong Lai Na *(Chairman)*
Mr. Leung Chi Hung
Ms. Yen Kwun Wing

NOMINATION COMMITTEE

Ms. Yen Kwun Wing *(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

Advent Corporate Finance Limited

LEGAL ADVISERS TO THE COMPANY

D. S. Cheung & Co.

PRINCIPAL BANKERS

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

AUDITORS

HLB Hodgson Impey Cheng Limited
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 2020.

OVERVIEW

Revenue of the Group decreased from approximately HK$82.8 million for the year ended 30 June 2019 to approximately HK$61.2 million for the year ended 30 June 2020. Gross profit of the Group decreased from approximately HK$17.3 million for the year ended 30 June 2019 to approximately HK$2.4 million for the year ended 30 June 2020. Profit and total comprehensive income attributable to owners of the Company and loss and total comprehensive loss for the year ended 30 June 2019 and 2020 amounted to approximately HK$6.4 million and HK$5.9 million, respectively. The reversal of the Group's net profit to net loss for the year ended 30 June 2020 was mainly attributable to the (i) decline in gross profit margin of the projects undertaken by the Group as compared to the corresponding year in 2019; (ii) decrease in the number of construction projects undertaken by the Group during the year ended 30 June 2020 as compared to the corresponding year in 2019; and (iii) provision of the possible liquidated damages of not less than HK$5.0 million in aggregate in relation to a project completed in April 2020 and a project completed in July 2020 due to delay in their completion.

PROSPECT

The Group expects the business environment continues to be challenging and competitive. Given the economic uncertainty and the outbreak of the novel coronavirus pandemic ("**COVID-19**"), the Group is of the view that the overall construction industry in Hong Kong will be rollbacked in the coming year. Also, under the keen competition in the construction industry, securing a construction contract has become more difficult than before. Therefore, the Group has to take part more rigorously in tender bidding and has to adopt a competitive tender pricing policy. Other than the keen competition in the market, the uncertainties in the execution of the construction projects increase the overall operational risks of the Group. All of the above undoubtedly affect the financial and operational performance of the Group.

Despite the challenges ahead, the Group is prudently optimistic in the long term and believes opportunities always exist in the construction market in Hong Kong. The Board will continue to exercise due care in pursuing business development so as to strike a balance between various business risks and opportunities. With the experienced and professional management team, established relationship with the customers and suppliers as well as the Group's commitment to maintain 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 will continue to pursue its business objectives and strategies: (i) expanding the market share and compete for more foundation and site formation projects, and superstructure building works projects and (ii) adherence to prudent financial management to ensure sustainable growth and capital sufficiency. While the Group is closely monitoring the latest development of COVID-19 and its impact on the industry and the economy of Hong Kong, it would adjust its strategies from time to time when necessary.

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, 22 September 2020

Management Discussion and Analysis

BUSINESS REVIEW

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**"), the 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, alteration and addition works and other miscellaneous construction works.

For the year ended 30 June 2020, the Group recorded a net loss of approximately HK$5.9 million as compared to net profit of approximately HK$6.4 million for the corresponding year in 2019. The reversal of the Group's net profit to net loss for the year ended 30 June 2020 was mainly attributable to the decrease in the gross profit due to the (i) decline in gross profit margin of the projects undertaken by the Group as compared to the corresponding year in 2019; (ii) decrease in the number of construction projects undertaken by the Group during the year ended 30 June 2020 as compared to the corresponding year in 2019; and (iii) provision of the possible liquidated damages of not less than HK$5.0 million in aggregate in relation to a project completed in April 2020 and a project completed in July 2020 due to delay in their completion.

FUTURE PROSPECTS

The construction industry in Hong Kong is challenging and competitive. Given the economic uncertainty and the outbreak of the COVID-19, the Group is of the view that the overall construction industry in Hong Kong will be rollbacked in the coming year. Also, under the keen competition in the construction industry, securing a construction contract has become more difficult than before. Therefore, the Group has to take part more rigorously in tender bidding and has to adopt a competitive tender pricing policy, which undoubtedly affects the financial performance of the Group.

Despite the challenges ahead, the Group is prudently optimistic in the long term and believes opportunities always exist in the construction market in Hong Kong. With the experienced and professional management team, established relationship with the customers and suppliers as well as the Group's commitment to maintain 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 will continue to pursue its business objectives and strategies: (i) expanding the market share and compete for more foundation and site formation projects, and superstructure building works projects and (ii) adherence to prudent financial management to ensure sustainable growth and capital sufficiency. While the Group is closely monitoring the latest development of the COVID-19 and its impact on the industry and the economy of Hong Kong, it would adjust its strategies from time to time when necessary.

Bearing in mind the associated risks and in order to maximise the returns to the Shareholders, the Directors may also consider other investment opportunities to broaden the sources of income of the Group. Currently, the Group has not identified any investment opportunity.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 30 June 2019 and 2020, the Group generated total revenue of approximately HK$82.8 million and HK$61.2 million, respectively. The decrease in revenue was mainly attributable to a decrease in the number of construction projects undertaken by the Group for the year ended 30 June 2020 compared to the corresponding year in 2019.

Gross profit and gross profit margin

For the year ended 30 June 2019 and 2020, the Group recorded gross profit of approximately HK$17.3 million and HK$2.4 million, respectively and the gross profit margin of the Group was approximately 20.9% and 3.9% for the respective years. Decline in gross profit and gross profit margin was primarily attributable to the (i) decline in gross profit margin of the projects undertaken by the Group as compared to the corresponding year in 2019; (ii) decrease in the number of construction projects undertaken by the Group during the year ended 30 June 2020 as compared to the corresponding year in 2019; and (iii) provision of the possible liquidated damages of not less than HK$5.0 million in aggregate in relation to a project completed in April 2020 and a project completed in July 2020 due to delay in their completion.

Administrative expenses

Our administrative expenses mainly consist of employee benefits expenses including Director's emoluments, audit fees and other professional fees. Our administrative expenses amounted to approximately HK$8.8 million and HK$8.9 million for the year ended 30 June 2019 and 2020, respectively. There was no significant change of the administrative expenses for the year ended 30 June 2020 compared to the corresponding year in 2019.

Loss allowances of financial assets and contract assets

For the year ended 30 June 2019 and 30 June 2020, the Group recorded loss allowances of financial assets and contract assets of approximately HK$0.9 million and HK$0.8 million, respectively. There was no significant change of the loss allowances of financial assets and contract assets for the year ended 30 June 2020 compared to the corresponding year in 2019.

Income tax expense/credit

For the year ended 30 June 2019 and 2020, the Group recorded income tax expense of approximately HK$1.1 million and income tax credit of approximately HK$1.0 million, respectively. The reversal of the income tax expense to income tax credit was mainly attributable to the reversal of the net profit for the year ended 30 June 2019 to net loss for the year ended 30 June 2020.

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

Profit and total comprehensive income attributable to owners of the Company and loss and total comprehensive loss for the year ended 30 June 2019 and 2020 amounted to approximately HK$6.4 million and HK$5.9 million, respectively. Such reversal of the Group's net profit to net loss for the year ended 30 June 2020 was mainly attributable to the decrease in the gross profit for the year ended 30 June 2020 as compared to the corresponding year in 2019 mentioned in the paragraph headed "Gross profit and gross profit margin" above.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy financial position during the year ended 30 June 2020. As at 30 June 2020, the Group had bank balances and cash of approximately HK$38.0 million (2019: approximately HK$29.7 million) and restricted cash balances of approximately HK$5.0 million (2019: approximately HK$4.7 million). The current ratio as at 30 June 2020 was approximately 8.8 times (2019: approximately 7.0 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 leases liabilities. As at 30 June 2020, the Group recorded gearing ratio of approximately 1.0% (2019: approximately 0.5%).

CHARGE OVER THE GROUP'S ASSETS

As at 30 June 2020, the Group pledged its deposits in insurance companies of approximately HK$5.0 million (2019: approximately HK$4.7 million) as collateral for performance bonds.

As at 30 June 2020, the Group pledged the leased motor vehicles of approximately HK$0.2 million (2019: approximately HK$0.4 million) as collateral to the leases liabilities.

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

FOREIGN EXCHANGE EXPOSURE

For the year ended 30 June 2020, 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 2020, 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

As at 30 June 2020, the Group did not have any capital commitment (2019: nil).

SEGMENT INFORMATION

Segment information is presented for the Group as disclosed in note 6 to the consolidated financial statements of this report.

Management Discussion and Analysis

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 2020. The Group did not have material acquisition and disposal of subsidiaries and associated companies during the year ended 30 June 2020. There was no other plan for material investments or capital assets as at 30 June 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group has given guarantees on performance bonds issued by insurance companies of approximately HK$5.0 million in respect of four construction contracts of the Group in its ordinary course of business (2019: approximately HK$4.7 million in respect of three 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 (2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total of 18 employees (2019: 20 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$10.4 million for the year ended 30 June 2020 (2019: approximately HK$11.1 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. The Company maintains a share option scheme for the purpose of providing incentives and rewards to the participants for their contributions to the Group. As at the date of this report, no option has been granted under the share option scheme.

DIVIDENDS AND DIVIDEND POLICY

The Company has adopted a dividend policy and the declaration and recommendation of dividends are subject to the decision of the Board after considering, among others, the Group's actual and expected financial performance, the retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group, the Group's working capital and capital expenditure requirements as well as future business and expansion plans, the Group's liquidity position and the 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 Group. The Board will also review and reassess the dividend policy and its effectiveness on a regular basis or as required.

The Directors do not recommend payment of final dividend for the year ended 30 June 2020 (2019: nil).

PRINCIPAL RISKS

The business operations and results of the Group may be affected by various external and internal risks. Details of the risks and the respective risk management policies of the Group are shown in the Report of the Directors on pages 30 to 44 in this report and note 4 to the consolidated financial statements in this report.

Management Discussion and Analysis

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The shares of the Company (the "**Shares**") were listed on GEM (the "**Listing**") by way of placing and public offer (the "**Share Offer**") on 28 December 2017 (the "**Listing Date**").

An analysis comparing the business objectives as set out in the prospectus of the Company dated 13 December 2017 (the "**Prospectus**") with the Group's actual business progress for the period from the Listing Date to 30 June 2020 is set out below:

Business objectives as stated in the Prospectus	Business plan stated in the Prospectus	Actual business progress up to 30 June 2020
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 were deposited for the surety bond requirement of Project B and the project in Central, Hong Kong awarded in July 2018 respectively.
	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$22.1 million had been utilised to finance the upfront cost and working capital requirement of Project B, and certain new projects awarded in 2018 and 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.
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 the project implementation capabilities and one management trainee to support its 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 its 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 Share Offer, 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 2020, 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**	**Revised net proceeds from the Share Offer**	**Amount utilised up to 30 June 2020**	**Unutilised balance up to 30 June 2020**
	HK$'million	HK$'million	HK$'million	HK$'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	22.1 *(note 1)*	–
Further strengthening the Group's manpower	4.1	4.1	4.1 *(note 2)*	–
General working capital	2.6	2.6	2.6	–
Total	31.7	31.7	31.7	–

Note 1: As of 30 June 2020, bank balances of approximately HK$22.1 million had been utilised to finance the upfront cost and working capital requirement of Project B and certain new projects awarded in 2018 and 2019.

Note 2: As of 30 June 2020, bank balances of approximately HK$4.1 million had been utilised to recruit two senior engineers and three foreman to enhance the project implementation capabilities and one management trainee to support accounting functions of the Group.

As at 30 June 2020, the net proceeds from the Listing had been fully utilised by the Group.

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 be reallocated 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 55, 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 the project director of the Group and is primarily responsible for the general management and supervising day-to-day operation of the Group. Mr. Yip is also the compliance officer of the Group.

Mr. Yip has over 34 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 a director of all subsidiaries of the Group.

Mr. Kung Cheung Fai Patrick ("Mr. Kung"), aged 68, is one of the founders of the Group, Mr. Kung has been appointed as the executive Director on 18 July 2017. Mr. Kung is the technical director of the Group and is responsible for overseeing project design and technical direction of projects of the Group.

Mr. Kung has over 44 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.

Mr. Kam Kin Bun ("Mr. Kam"), aged 63, was appointed as the executive Director on 18 July 2017. He is the project director of the Group primarily responsible for day-to-day management and tendering of the Group.

Mr. Kam has over 37 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, the operating subsidiary of the Group. 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.

Biographical Details of the Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Chi Hung ("Mr. Leung"), aged 64, was appointed as an independent non-executive director (the "**INED**") , the chairman of the audit committee of the Company (the "**Audit Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**") and nomination committee of the Company (the "**Nomination Committee**") on 1 December 2017.

Mr. Leung has over 44 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.

Since April 2002, Mr. Leung has been the INED of the following companies listed on the Stock Exchange:

Name of Company	Principal of Business	Position	Stock Exchange	Stock code	Period of Service
Daido Group Limited	Cold storage, trading and related services in Hong Kong	Independent non-executive director	Main Board	544	September 2003 to present
Finet Group Limited	Development, production and provision of financial information services and technology solutions and media business	Independent non-executive director	GEM	8317	February 2011 to present
Zhongzheng International Company Limited (formerly know as eForce Holdings Limited)	Manufacturing and trading of healthcare and household products, coal mining and money lending	Independent non-executive director	Main Board	943	December 2013 to present
REF Holdings Limited	Providing financial printing services for the financial sector in Hong Kong	Independent non-executive director	Main Board	1631	August 2015 to present

Biographical Details of the Directors and Senior Management

Ms. Wong Lai Na ("Ms. Wong"), aged 34, was appointed as an INED, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee on 1 December 2017.

Ms. Wong has over 10 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 was an independent non-executive director of Celebrate International Holdings Limited (the "**Celebrate International**"), 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. The shares of Celebrate International were delisted from the Stock Exchange with effect from 8 July 2020.

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. Yen Kwun Wing ("Ms. Yen"), aged 45, was appointed as an INED, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee on 20 December 2019. Ms. Yen started her career in 1999 and was admitted to the High Court of Hong Kong as a solicitor in November 2001. From 1999 to 2018, Ms. Yen worked for several law firms in Hong Kong. Ms. Yen joined Raymond Siu & Lawyers in 2018 and she is currently a consultant and practising solicitor. Ms. Yen has over 18 years of experience in the legal profession and she is also an accredited family mediator of the Hong Kong International Arbitration Centre and Hong Kong Mediation Accreditation Association Limited.

Ms. Yen obtained a Bachelor of Arts, Common Professional Examination Certificate in Laws and Postgraduates Certificate in Laws from The University of Hong Kong in 1997, 1998 and 1999 respectively, a Bachelor of Laws from The Manchester Metropolitan University in 2002 and a Master of Laws from The University of London in 2005.

SENIOR MANAGEMENT

Mr. Lei Wai Hoi ("Mr. Lei"), aged 35, is the financial controller and company secretary of the Group. Mr. Lei joined the Group in July 2017 and is responsible for overseeing the overall financial management as well as corporate governance matters of the Group.

Mr. Lei has over nine years of experience in the accounting profession. Mr. Lei was 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 a director of Healthy Luck Holdings Limited, a directly wholly-owned subsidiary of the Company incorporated in the BVI and Million Sea Development Limited, an indirectly wholly-owned subsidiary of the Company incorporated in Hong Kong.

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 2020 (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 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.

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. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG code and disclosure in this Corporate Governance Report. Throughout the Reporting Period, to the best knowledge of the Board, except for the following, the Company has complied with all the applicable code provisions set out in the CG Code:

The principle of code provision A.2.1 of the 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 the CG Code. In view of the fact that 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 the Group to have Mr. Yip taking up both roles for effective management and business development.

Therefore, the Directors consider that the deviation from code provision A.2.1 of the 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 independent non-executive Directors.

During the year ended 30 June 2020, the Group has failed to comply with Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules in relation to the appointment of a sufficient number of independent non-executive Directors. Please refer to the paragraph headed "Pass Away of Independent Non-Executive Director and the Appointment of the Successor" in this report for details.

Except for the deviation from code provision A.2.1 of the CG Code and the non-compliance with the appointment of a sufficient number of independent non-executive Directors, the Company's corporate governance practices have complied with the CG Code during the Reporting Period.

Corporate Governance Report

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.

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
Ms. Du Juan (resigned with effect from 30 August 2019)

Independent non-executive Directors

Mr. Leung Chi Hung
Ms. Wong Lai Na
Ms. Hung Siu Woon Pauline
(passed away on 19 October 2019)
Ms. Yen Kwun Wing
(appointed with effect from 20 December 2019)

Corporate Governance Report

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 11 to 13 of this annual report. There was no financial, business, family or other material relationship among the Directors during the year ended 30 June 2020.

In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs during the Reporting Period, with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise, except for a short period from the passing away of Ms. Hung Siu Woon on 19 October 2019 to the appointment of Ms. Yen Kwun Wing on 20 December 2019. Save as disclosed, 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.

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 the fact that Mr. Yip has been operating and managing Wai Tat, the Group's operating subsidiary, since 2002, the Board believes that it is in the best interest of the Group to have Mr. Yip taking up both roles for effective management and business development.

Therefore, the 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.

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.

On 20 December 2019, Ms. Yen Kwun Wing was appointed as an INED, chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of each of the audit committee of the Company (the "**Audit Committee**") and remuneration committee of the Company (the "**Remuneration Committee**"). 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 the Group's articles of association (the "**Articles of Association**") and the applicable GEM Listing Rules.

Corporate Governance Report

All Directors are subject to retirement by rotation and re-election at annual general meeting ("**AGM**") 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 AGM, 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 AGM.

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 AGM of the Company and shall then be eligible for re-election.

Each of Mr. Leung Chi Hung, Mr. Kam Kin Bun and Ms. Yen Kwun Wing will retire from office as Directors at the forthcoming AGM to be held on 6 November 2020. Each of Mr. Leung Chi Hung, Mr. Kam Kin Bun and Ms. Yen Kwun Wing, being eligible, will offer themselves for re-election at the forthcoming AGM.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**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.

Explanatory statement provided under Code Provision A.5.5 of Appendix 15 of the GEM Listing Rules

According to the GEM Listing Rules and the Board Diversity Policy adopted by the Company, the Nomination Committee will, among other things, undertake the nomination and selection of INED candidates on the completion of their specified terms and make relevant recommendations to the Board.

Furthermore, when changes to composition of the Board or members of any committee of the Company are required or when casual vacancies arise, the Nomination Committee shall adhere to the principles stated in the Board Diversity Policy. The Nomination Committee will take into account the existing composition of the Board and the business requirements of the Group, and nominate potential candidates by reference to their capacity and the selection criteria to the Board for approval.

Mr. Leung Chi Hung and Ms. Yen Kwun Wing have met the independence criteria under the GEM Listing Rules. Moreover, Mr. Leung Chi Hung and Ms. Yen Kwun Wing have given their confirmation of independence to the Company. With due consideration on the above factors, the Board believes that Mr. Leung Chi Hung and Ms. Yen Kwun Wing are independent to the Group.

Corporate Governance Report

In view of the knowledge, experience and skills of Mr. Leung Chi Hung in finance, financial accounting, audit and compliance and Ms. Yen Kwun Wing in compliance and law, the Board believes that their expertise will enable them to fulfill their role as INEDs effectively and can provide useful and constructive opinion and make contribution to the Board and future development of the Company. Each of Mr. Leung Chi Hung and Ms. Yen Kwun Wing holds directorships in not more than seven listed companies (including the Company) and would be able to devote sufficient time and attention to perform the duties required of an INED.

Based on the background of Mr. Leung Chi Hung and Ms. Yen Kwun Wing, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, it is believed that Mr. Leung Chi Hung and Ms. Yen Kwun Wing can contribute to diversity of the Board.

Having considered the above aspects and in view of the contribution that Mr. Leung Chi Hung and Ms. Yen Kwun Wing have made to the Board, their re-election will be in the best interests of the Company and its Shareholders as a whole.

Directors' Continuous Training and Professional Development

In compliance with code provision A.6.5 of the 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) ("**SFO**") 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.

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. Yen Kwun Wing		✔	
Ms. Wong Lai Na	✔		

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

Board Committees

Audit Committee

The Company established the 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 (passed away on 19 October 2019)
Ms. Wong Lai Na
Ms. Yen Kwun Wing (appointed with effect from 20 December 2019)

Corporate Governance Report

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 five 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 be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

— To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the Audit Commences;

— To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally; and

— To report to the Board, identify and make recommendations on any matters where action or improvement is needed.

— To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

  (a) any changes in accounting policies and practices;

  (b) major judgemental areas;

  (c) significant adjustments resulting from audit;

  (d) the going concern assumptions and any qualifications;

  (e) compliance with accounting standards; and

  (f) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;

Corporate Governance Report

— Members shall liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

— The Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

— To review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

— The annual review of the risk management and internal control systems should, in particular, include the following matters:

(a) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;

(b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;

(c) the extent and frequency of communication of monitoring results to the Board (or Board committee(s)) which enables it to assess control of the Company and the effectiveness of risk management;

(d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and

(e) the effectiveness of the Company's processes for financial reporting and GEM Listing Rules compliance;

— To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective risk management and internal control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of staff of the Company's accounting and financial reporting function;

— To consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

— Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

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

Corporate Governance Report

— To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

— To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

— To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

— To act as the key representative body for overseeing the Company's relations with the external auditor;

— To establish a 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;

— To report to the Board on the matters set out in paragraph C.3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (as amended from time to time); and

— To consider other topics, as defined by the Board.

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.

Corporate Governance Report

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.

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 *(Chairman)* (passed away on 19 October 2019)
Ms. Yen Kwun Wing *(Chairman)* (appointed with effect from 20 December 2019)
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.

Corporate Governance Report

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

— 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 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 (passed away on 19 October 2019)
Ms. Yen Kwun Wing (appointed with effect from 20 December 2019)
Mr. Leung Chi Hung

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

Corporate Governance Report

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.

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	AGM
Executive Directors					
Mr. Yip Shiu Ching	4/4	N/A	N/A	N/A	1/1
Mr. Kung Cheung Fai Patrick	4/4	N/A	N/A	N/A	1/1
Mr. Kam Kin Bun	4/4	N/A	N/A	N/A	1/1
Ms. Du Juan (resigned with effect from 30 August 2019)	0/2	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Leung Chi Hung	4/4	5/5	1/1	1/1	1/1
Ms. Hung Siu Woon Pauline (passed away on 19 October 2019)	1/1	1/1	1/1	1/1	N/A
Ms. Wong Lai Na	4/4	5/5	1/1	1/1	1/1
Ms. Yen Kwun Wing (appointed with effect from 20 December 2019)	3/3	4/4	N/A	N/A	N/A

Under the code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. The Directors consider that they have met regularly for the year ended 30 June 2020.

Corporate Governance Report

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 2020, 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.

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 Auditors' Report on pages 57 to 62 of this annual report.

AUDITOR'S REMUNERATION

During the year ended 30 June 2020, PricewaterhouseCoopers ("**PwC**") has resigned as auditors of the Company with effect from 9 July 2020 and the Company has appointed HLB Hodgson Impey Cheng Limited ("**HLB**") as auditors of the Company on the same day to fill the casual vacancy following the resignation of PwC as auditors of the Company. Please refer to the section headed "Change of Auditors" of this annual report for details. During the year ended 30 June 2020, the Company had incurred HK$73,000 audit services fee with PwC in relation to their works performed and the audit services fee of engaging HLB amounted to HK$660,000.

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 2020.

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 2020, 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 annual report.

COMPLIANCE OFFICER

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

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance and code of conduct applicable to employees and the Directors, reviewing and monitoring training and continuous professional development of the Directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements, as well as reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance 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.

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 in 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.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management system. 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 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.

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 risk management and 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 and adequate 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 sought for their recommendations.

Corporate Governance Report

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.

INSIDE INFORMATION

The Group complies with requirements of 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.

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 2020.

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 provides specialised works and general building works as a main contractor in Hong Kong, through Wai Tat, its 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, A&A works and other miscellaneous construction works. Details of the principal activities of its subsidiaries are set out in note 29 to the consolidated financial statements in this annual report. 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 2020 by operating segment is set out in note 6 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

The review of the business of the Group during the year ended 30 June 2020 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" on pages 4 to 10 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Discussion on the environmental policies and performance is contained in the "Environmental, Social and Governance Report" on pages 45 to 56 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 2020, 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.

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 makes estimation of the project costs in the 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 relies on subcontractors to perform a portion of the site works and unsatisfactory performance or unavailability of the Group's subcontractors may adversely affect the Group's operations and profitability;

Report of the Directors

(iv) the Group is exposed to customers' credit risks and the Group's liquidity position may be adversely affected if the 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 63 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 30 June 2020 (2019: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 122. This summary does not form part of the audited consolidated financial statements of the Group.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital is set out in note 24 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this annual report, save as disclosed in this annual report, the Board is not aware of any significant events subsequent to the year ended 30 June 2020 that requires disclosure.

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 conditionally adopted a share option scheme on 1 December 2017 (the "**Adoption Date**") (the "**Share Option Scheme**"). The Share Option Scheme will remain in force for a period of 10 years from 1 December 2017 to 30 November 2027. A summary of the principal terms of the Share Option Scheme pursuant to Rule 23.09 of the GEM Listing Rules are set out as follows:

(a) Purpose of the Share Option Scheme

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 the Group and to promote the success of the business of the Group.

Report of the Directors

(b) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the INEDs) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.0.

(e) Maximum number of Shares

(i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue as at the Listing Date.

(ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.

Report of the Directors

(iii) The Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.

(iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

(i) Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the INEDs (excluding any INED who is the grantee of the option).

(ii) Where any grant of options to a substantial Shareholder or an INED (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

— representing in aggregate over 0.1% of the Shares in issue; and

— having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected persons of the Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial Shareholder or an INED or any of their respective associates is also required to be approved by the Shareholders in the aforesaid manner.

Report of the Directors

(h) Restrictions on the times of grant of options

(i) The Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

— the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

— the deadline for the Company to publish an announcement of the results for any year, half-year or quarterly under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).

(ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of the Company are published:

— during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

— during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine, which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(k) Termination to the Share Option Scheme

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme, and, in such event, no further options will be offered, but options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

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 2020.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Report of the Directors

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 2020 are set out in note 27 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 2020, the Company did not have any reserves available for distribution (2019: nil). Details of the movement in reserve during the year are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer accounted for approximately 39.8% of the Group's total revenue (2019: 38.6%) while the Group's five largest customers in aggregate accounted for approximately 76.7% of the Group's total revenue for the year ended 30 June 2020 (2019: 97.2%).

The Group's largest supplier accounted for approximately 15.7% of the total purchases (2019: 15.9%) while the Group's five largest suppliers accounted for approximately 52.9% of the Group's total purchases for the year ended 30 June 2020 (2019: 50.7%).

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 2020.

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 the Group's 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, the project management team communicated with the customers on a regular basis during the course of the projects to better understanding their needs and expectations. During the year ended 30 June 2020, the Group maintained good business relationships with the 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 its suppliers and subcontractors, the Directors believe that the Group has maintained good business relationships with them in which long relations have been maintained with the majority of the largest suppliers and subcontractors.

Report of the Directors

The Group maintains an internal list of approved subcontractors and suppliers and the list is reviewed and updated periodically. While engaging suppliers and subcontractors, the Group generally assesses 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 2020, 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 the employees as the most valuable asset. The Group strives to create a good workplace that the employees are motivated to work in. The 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 the employees during the year ended 30 June 2020.

Shareholders

The principal goal of the Group is to maximize the return to the Shareholders of the Company. The Group will focus on the 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.

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 (resigned with effect from 30 August 2019)

Independent non-executive Directors

Mr. Leung Chi Hung
Ms. Hung Siu Woon Pauline (passed away on 19 October 2019)
Ms. Wong Lai Na
Ms. Yen Kwun Wing (appointed with effect from 20 December 2019)

In accordance with the Articles of Association, at each AGM 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 AGM. 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 AGM and shall then be eligible for re-election.

Pursuant to the Articles of Association, Mr. Leung Chi Hung and Mr. Kam Kin Bun will retire and, being eligible, offer themselves for re-election at the forthcoming AGM to be held on 6 November 2020. Ms. Yen Kwun Wing appointed by the Board to fill a casual vacancy will be subject to re-election at the forthcoming AGM to be held on 6 November 2020. Biographical details of each of Mr. Kam Kin Bun, Mr. Leung Chi Hung and Ms. Yen Kwun Wing are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 11 to 13 of this annual report.

Report of the Directors

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.

Mr. Leung Chi Hung and Ms. Yen Kwun Wing have met the independence criteria under the GEM Listing Rules and have given confirmation of their independence to the Company. With due consideration on the above factors, the Board believes that Mr. Leung Chi Hung and Ms. Yen Kwun Wing are independent. Based on their 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 Mr. Leung Chi Hung and Ms. Yen Kwun Wing can contribute to diversity of the Board and their expertise will enable them to fulfill their roles as the INED effectively, and provide useful and constructive opinion and make contribution to the Board and the development of the Company. Each of Mr. Leung Chi Hung and Ms. Yen Kwun Wing holds directorships in not more than seven listed companies (including the Company) and would be able to devote sufficient time and attention to perform the duties required of an INED.

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 2020.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM 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 11 to 13 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 8 and note 9 to the consolidated financial statements.

Report of the Directors

The remuneration of the senior management of the Group excluding the INEDs for the year ended 30 June 2020 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 the 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 3.14 to the consolidated financial statements.

The 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 2020, 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.

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 or an entity associated with 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 2020.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended 30 June 2020 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.

Report of the Directors

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, 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)*	638,600,000	63.86%
Mr. Yip	Interest in controlled corporation *(Note)*	638,600,000	63.86%
Mr. Kam	Interest in controlled corporation *(Note)*	638,600,000	63.86%

Note:

Talent Gain Ventures Limited ("**Talent Gain**"), which beneficially owns 63.86% of the issued Shares, 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, 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 63.86% 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.

Save as disclosed above, as at 30 June 2020, 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.

Report of the Directors

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 2020, 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 which were recorded in the register 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	638,600,000 (L)	63.86%
Mrs. Kung Szeto Pauline Sin Fun	Family interest *(Note 1)*	638,600,000 (L)	63.86%
Ms. Chiu Wai King Clara	Family interest *(Note 2)*	638,600,000 (L)	63.86%
Ms. Chan Kit Yee	Family interest *(Note 3)*	638,600,000 (L)	63.86%
China Silver Asset Management Limited	Investment manager	110,410,000 (L) 35,000,000 (S)	11.04% 3.50%
CS Asia Opportunities Master Fund	Beneficial owner	110,410,000 (L) 35,000,000 (S)	11.04% 3.50%

Notes:

1. Mrs. Kung Szeto Pauline 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 2020, 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 which were recorded in the register 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

DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDER AND RESTORATION OF PUBLIC FLOAT

Reference is made to the announcements of the Company dated 19 November 2019, 24 December 2019, 23 January 2020 and 9 March 2020. As disclosed in these announcements, to the best knowledge, information and belief of the Directors, the public float of the Company was approximately 24.10% at the relevant times, which was below 25% of the total number of issued Shares and that prescribed by Rule 11.23(7) of the GEM Listing Rules.

The controlling Shareholder of the Company, Talent Gain, has on 9 March 2020 disposed of 10,000,000 Shares beneficially held by Talent Gain to Excel Jumbo Limited (the "**Purchaser**"), representing 1% of the total number of issued Shares (the "**Disposal**"). To the best knowledge, information and belief of the Directors, the Purchaser is a limited liability company incorporated in the BVI which is wholly-owned by Mr. Ho Kwan Chuen ("**Mr. Ho**"). Immediately after the Disposal as disclosed in the announcement of the Company dated 9 March 2020, the public float of the Company was approximately 25.10%. Details of which are set out in that announcement. As such, immediately after the Disposal, the public float of the Company had 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 to the best knowledge, information and belief of the Directors, the Company has maintained the prescribed minimum public float under the GEM Listing Rules during the year ended 30 June 2020 and at any time up to the date of this report.

INSIDE INFORMATION

Reference is made to the announcement of the Company dated 16 October 2019 in relation to a former assistant project manager of Wai Tat being charged by the Independent Commission Against Corruption of Hong Kong (the "**ICAC**") to has conspired to accept advantages as rewards for assisting a supplier to secure the orders in relation to the supply of materials to a columbarium project of the Group in Tuen Mun (the "**Charge**"). The relevant assistant project manager has resigned from the Group with effect from 16 October 2019. On 13 January 2020, such former employee admitted at the Tuen Mun Magistracy that he had solicited and accepted illegal commissions from the supplier.

As of the date of this report, other than the abovementioned former employee, none of the Company itself, its subsidiaries, the Directors and its staff has been investigated or charged by the ICAC. The Directors hold the view that the Charge has no material impact to the operations and financial position of the Group.

The Group always strives to uphold a high standard of corporate governance. After the Charge, training on anti-bribery was conducted to the employees. The Board had also assessed the internal control policy and reviewed certain payment records and was not aware of any matters that should be brought to their attention nor the Shareholders.

CANCELLATION OF THE 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 Company name. After taking into account of the opinions from various stakeholders, the Board had decided not to proceed with the proposed change of Company name.

Report of the Directors

RESIGNATION OF EXECUTIVE DIRECTOR

Reference is made to the announcement dated 30 August 2019 in relation to the resignation of the executive Director. Ms. Du Juan tendered her resignation as an executive Director with effect from 30 August 2019 due to her other business commitments. Ms. Du Juan confirmed that she had no disagreement with the Board and there were no other matters in relation to her resignation that needed to be brought to the attention of the Shareholders and the Stock Exchange.

PASS AWAY OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND THE APPOINTMENT OF THE SUCCESSOR

Reference is made to the announcements dated 22 October 2019 and 20 December 2019 in relation to the non-compliance with Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. Following the pass-away of Ms. Hung Siu Woon Pauline on 19 October 2019, the Board comprised of five members with three executive Directors and two INEDs. As a result, the number of INEDs of the Board was below the minimum number prescribed under Rule 5.05 of the GEM Listing Rules. The number of members of the Audit Committee was reduced to two which was below the minimum number prescribed under Rule 5.28 of the GEM Listing Rules. The number of members of the Remuneration Committee was reduced to two which was below the minimum number prescribed under the terms of reference of the Remuneration Committee. The number of members of the Nomination Committee was reduced to two which was below the minimum number prescribed under the terms of reference of the Nomination Committee. On 20 December 2019, Ms. Yen Kwun Wing ("**Ms. Yen**") was appointed as an INED, chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee. For details of Ms. Yen's biography and appointment, please refer to the announcement of the Company dated 20 December 2019 or the section headed "Biographical Details of the Directors and Senior Management" on pages 11 to 13 of this annual report.

Following the appointment of Ms. Yen as the abovementioned positions, the Company have fulfilled the requirements under Rules 5.05 and 5.28 of the GEM Listing Rules and the requirements as stipulated in the terms of reference of the Remuneration Committee and Nomination Committee.

CHANGE OF AUDITORS

Reference is made to the announcement dated 9 July 2020. PwC has resigned as auditors of the Company with effect from 9 July 2020. The Company has, with the recommendation from the Audit Committee, resolved to appoint HLB as auditors of the Company on the same day to fill the casual vacancy following the resignation of PwC as auditors of the Company, and to hold office until the conclusion of the next AGM of the Company.

The reason for the change of the auditors is that the Company could not reach consensus with PwC on the level of audit fee for the financial year ended 30 June 2020.

The Board and the Audit Committee confirm that there are no other matters or circumstances in connection with the change of auditors that need to be brought to the attention of the Shareholders.

Report of the Directors

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 close 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 2020 and up to the date of this report.

Each of the controlling Shareholders 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 the Group.

During the year ended 30 June 2020, the Company has received an annual written confirmation from each controlling Shareholders that each controlling Shareholders has complied with its/his undertakings and obligations under the deed of non-competition.

The INEDs have also reviewed and were satisfied that each of the controlling Shareholders had complied with the deed of non-competition for the year ended 30 June 2020.

INTEREST OF COMPLIANCE ADVISER

Also notified by Advent Corporate Finance Limited ("**Advent**"), the Company's compliance adviser, 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 2020.

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 14 to 29 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 2020.

Report of the Directors

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 3 November 2020 to Friday, 6 November 2020 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM 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 Monday, 2 November 2020.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 30 June 2020 have been audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming AGM of the Company to reappoint HLB Hodgson Impey Cheng Limited as auditor of the Company.

On Behalf of the Board

WT Group Holdings Limited
Yip Shiu Ching
Chairman and Executive Director
Hong Kong, 22 September 2020

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 2019 to 30 June 2020 (the "**Reporting Period**"). 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.

A complete index in compliance with the ESG Reporting Guide is also available at page 46 of this ESG Report for reference. Except for provisions that the Group considers are inapplicable to its operation, this ESG Report is compliant with all the "comply or explain" provisions set out in the ESG Reporting Guide.

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 values the stakeholders and their feedback regarding the businesses and ESG aspects. In order to understand and address their key concerns, the Group has 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 takes 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 shareholders' 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 aims 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
A4. Climate Change	— Climate-related issues and 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 2020, 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 welcomes 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 at info@waitat-hk.com.

A. ENVIRONMENTAL ASPECT

The Group endeavours to minimise any adverse impact on the environment resulting from its 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.

The Group also endeavours on the efficient use of resources including energy and water and minimizing its operation impacts on the environment and natural resources. Policies encouraging the efficient use of resources, adopting eco-friendly approach are emphasized in the Group. The Group also requires subcontractors to uphold the eco-friendly approach.

During the Reporting Period, the Group has not identified any non-compliance or breach of legislation relating to environmental aspect.

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, diesel oil and electricity purchased from the machineries used in the construction sites. To reduce the air pollution from the dust emission, the Group applies water sprays and uses canvas in its construction sites. To reduce air pollution from the machineries used in the construction sites, the site project managers of the Group ensure the switch off of the engine of the machinery whenever they are in the idle position, recommend the subcontractors selecting the most energy-efficient equipment and machineries for production and check with the subcontractors that regular and proper maintenance services has been performed on the machineries for their environmental performance and efficient use of diesel oil and electricity. The Group ensures 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).

The summary of greenhouse gas ("**GHG**") emissions performances and their intensity are as follows:

Indicator	Total emissions (calculated in tCO_2e)	Intensity (tCO_2e/employee)
For the year ended 30 June 2019		
Direct GHG emissions (Scope 1) — Diesel oil	77.00	3.85
Indirect GHG emissions (Scope 2) — Electricity purchased	37.80	1.89
Total GHG emissions (Scope 1 and Scope 2)	114.80	5.74
For the year ended 30 June 2020		
Direct GHG emissions (Scope 1) — Diesel oil	48.19	2.68
Indirect GHG emissions (Scope 2) — Electricity purchased	30.11	1.67
Total GHG emissions (Scope 1 and Scope 2)	78.30	4.35

Compared to the year ended 30 June 2019, lower amount of gross GHG emission was produced which was attributable to the less construction works carried out and the effectiveness of the Group's environmental management policy, leading to less diesel oil consumed and electricity purchased.

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 its business does not generate any material amount of hazardous waste during the construction processes.

Non-hazardous Waste

Due to the business nature of the Group, certain construction waste is generated in the construction process. The construction waste is disposed of at landfills regularly to avoid excessive accumulation causing nuisance to the neighbourhood.

Environmental, Social and Governance Report

The Group's non-hazardous wastes also come from the office operation such as paper. To minimise the waste generation, the Group encourages using double sided printing or photocopying wherever possible and utilising electronic media for communication.

The Group also promotes waste recycling by putting adequate facilities in place to facilitate collection and segregation of wastes.

The summary of non-hazardous wastes produced and their intensity are as follows:

Type	Unit	Amount	Intensity per staff of the Group
For the year ended 30 June 2019			
Construction waste	Tonnes	9,194	459.69
Paper	Pieces	107,346	5,367.30
For the year ended 30 June 2020			
Construction waste	Tonnes	3,561	197.84
Paper	Pieces	96,612	5,367.33

Compared to the year ended 30 June 2019, less non-hazardous wastes were produced which was attributable to the less construction works carried out during the Reporting Period.

A2. Use of Resources

The main resources used by the Group in the construction process are electricity, water and diesel oil. 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. Apart from the abovementioned measures in the section headed "A1. Emissions", the Group would reuse the construction wastewater for equipment cleaning after treated by sewage treatment tank, which helps to reduce water consumption. Due to the Group's operating locations, it does not encounter any significant issue in sourcing water that is fit for purpose. The Group carries out the construction works in an environmentally friendly manner in which less energy and material consumption construction methodologies would be adopted. Renewable and recyclable materials would also be used when applicable.

Certain resources would also be used in the office operation including electricity, water and paper. Following measures were adopted for the efficient use of resources:

— 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.

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

Environmental, Social and Governance Report

The summary of resources consumed and their intensify are as follows:

Type of energy	Energy consumption (unit)	Intensity (unit/employee)
For the year ended 30 June 2019		
Diesel oil	29,455 litres	1,472.77 litres/employee
Electricity	55,215 kWh	2,760.75 kWh/employee
Water	3,312 m^3	165.58 m^3/employee
For the year ended 30 June 2020		
Diesel oil	18,434 litres	1,024.09 litres/employee
Electricity	48,101 kWh	2,672.28 kWh/employee
Water	1,697 m^3	94.28 m^3/employee

Compared to the year ended 30 June 2019, less electricity, diesel oil and water were consumed which was attributable to the less construction works carried out during the Reporting Period and the effectiveness of the Group's environment management policy.

A3. The Environment and Natural Resources

The Group is highly concerned about the impacts of its business on the environment and natural resources. When the Group carry out the construction projects, it would produce adverse impact to the environment and the need to use the natural resources. Apart from the emissions mentioned in the section headed "A1. Emissions" above, the Group also produces noise pollution. 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 the additional measures of the Group to achieve environmental protection:

— 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 (Chapter 400 of the Laws of Hong Kong) and adjust site working hours according to the relevant regulations and law and request from the customers and use the sound reduction fabric in the construction sites.

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

Environmental, Social and Governance Report

A4. Climate Change

The Group provides guidelines and resources to the staff in identifying and mitigating significant climate-related issues which have impacted on the Group.

The Group is principally engaged in the provision of specialised works and general building works as a main contractor in Hong Kong. High temperature, heavy rain and other extreme weather conditions may affect the Group's operation and the execution of the construction projects. Therefore, the Group always endeavours to reduce the emission of GHG, non-hazardous wastes and the consumption of the resources in order to manage the climate-related issues. The Group also provides guidelines to the staff to meet the challenge from the climate-related issues. In the construction sites, proper resting area and sufficient water or drinks are provided to the employees of the Group and the subcontractors.

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 recognises 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 has established various communication channels with the employees, including mailbox for recommendation and performance review meeting with the employees.

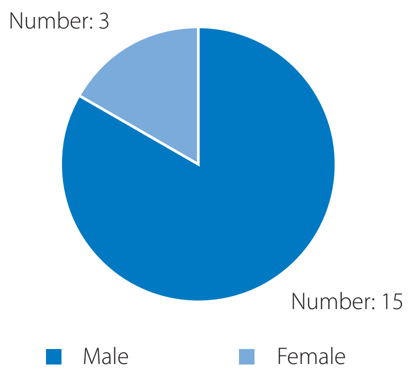
The Group's employment policy is structured to comply with the local laws and regulations such as Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong). The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

During the Reporting Period, the Group has not identified any non-compliance or breach of legislation relating to employment aspect.

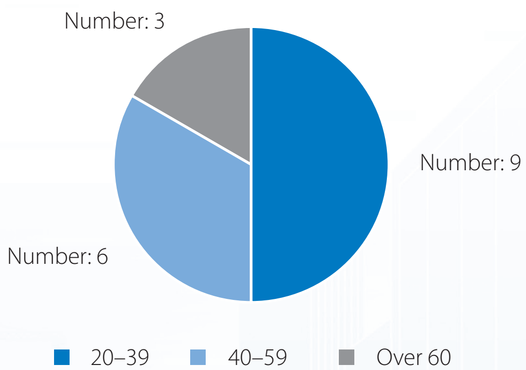
Environmental, Social and Governance Report

As at 30 June 2020, the Group had 18 employees and all of them are full-time and based in Hong Kong. Below are certain key charts in relation to the Group's employment aspects.

2020 Employee distribution by gender



2020 Employee distribution by age



The summary of employee turnover rate by gender and age group are as follows:

	Unit	Number of employees	Number of employees resigned	Turnover rate
Total workforce	Person	18	2	11%
Workforce by gender				
Male	Person	15	1	7%
Female	Person	3	1	33%
Workforce by age group				
20–39	Person	9	2	22%
40–59	Person	6	0	0%
Over 60	Person	3	0	0%

Environmental, Social and Governance Report

B2. Health and Safety

The Group places emphasis on occupational health and work safety during the delivery of the services as it is the Group's concern not to put employees, subcontractors and the general public in hazards. The Group has implemented 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 Reporting Period sets out work safety measures to prevent common accidents which could happen at sites. Some details of the safety plan are set out below:

— The site safety committee, consisting the external safety officer, safety supervisor, project manager and foremen, shall visit the sites regularly to assist the 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;

— 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 the 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 acts as a main contractor, when there is an accident at the works site, the Group follows the general procedures as below to ensure proper recording and handling of work injuries:

— *Fact finding and follow-up actions*

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

Environmental, Social and Governance Report

— *Reporting*
The 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.

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

During the preceding three years and the Reporting Period, the 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. During the Reporting Period, two cases of work-related injuries were reported and the number of lost days due to work injuries was 408 days. The Directors are of the view that the safety management system is adequate and the Group has obtained OHSAS 18001:2007 in respect of safety and health management system.

B3. Development and Training

The Group believes that continuous education and training is important to maintain the service quality, so the Group uses 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. During the Reporting Period, the staff have attended the courses organized by the Labour Department and ICAC in relation to the safety and health training and anti-bribery training. 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.

The summary of the Group's employee training record are as follows:

	Unit	Number of employees	Percentage of employees trained	Average training hours completed per employee
Workforce by employment category				
Senior management				
Male	Person	5	100%	21
Female	Person	2	100%	23
General employee				
Male	Person	10	100%	12
Female	Person	1	100%	12

Environmental, Social and Governance Report

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 Reporting Period, the Group has not identified any non-compliance of child and forced labour-related laws and regulations.

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 and assessed annually by the Group's project manager and approved by the executive Director. Nearly all of the subcontractors and suppliers are located in Hong Kong. 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. In order to identify environmental and social risks along the supply chain, the Group's project manager, foreman on site and environmental officer supervise and monitored the construction progress and methodologies used and inspected the materials delivered on site, ensuring that they are in compliance with relevant regulations, standards and qualities.

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 Reporting Period, 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 the Group's 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 places strong emphasis on quality control of the work to ensure that the work meets with or exceeds the required standards.

Environmental, Social and Governance Report

For quality assurance, 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. As mentioned in the section headed "B5. Supply Chain Management", the Group procures products and services only from the approved suppliers or subcontractors which would be assessed annually. The materials delivered on site would also be inspected by the Group's employees to ensure that they are in good quality. 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 architects.

During the Reporting Period, the Group has 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.

The Group has not identified any material non-compliance with relevant laws and regulations in Hong Kong relating to health and safety, advertising and labeling matters relating to products and services provided and methods of redress that would have a significant impact on the Group during the Reporting Period. The Group has also not identified any significant complaints relating to the construction services provided during the Reporting Period.

During the Reporting Period, the Group worked closely with 13 subcontractors and 6 suppliers and the Group's environmental officer had provided training to them and inspected their products. The Group also requires the subcontractors upholding the eco-friendly approach in the construction process.

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 Reporting Period, 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 Reporting Period, a former assistant project manager was charged by ICAC to have conspired to accepted advantages as rewards for assisting a supplier to secure the orders in relation to the supply of materials to a columbarium project of the Group in Tuen Mun (the "**Charge**") and he had admitted at the Tuen Mun Magistracy that he had solicited and accepted illegal commissions from the supplier. After the charge, training on anti-bribery was conducted to the employees. The Board has also assessed the internal control policy and reviewed certain payment records and is not aware of any matters that should be brought to their attention nor the Shareholders. Save as above, 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 Auditors' Report

国衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

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

OPINION

We have audited the consolidated financial statements of WT Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 121, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("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 Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of value of construction works	
Refer to Notes 3.17, 5(a) and 7 to the consolidated financial statements. For the year ended 30 June 2020, the Group's revenue recognised for contract works amounted to approximately HK$61,215,000. 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 judgments 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 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 judgments and estimates adopted by management in the recognition of revenue were supportable by available evidence.

Independent Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter *(Continued)*

Allowances for expected credit losses of trade and retention receivables and contract assets

Refer to Notes 3.10, 4.1(b), 5(b), 16 and 17 to the consolidated financial statements.

As at 30 June 2020, gross trade and retention receivables and contract assets amounted to approximately HK$5,268,000 and HK$18,955,000, respectively, which represented approximately 7% and 26% of the total assets of the Group, respectively, and allowances for expected credit losses of approximately HK$497,000 and HK$271,000 were provided against the gross amounts of trade and retention receivables and contract assets, respectively.

Management assessed the allowances for expected credit losses of trade and retention receivables and contract assets based on assumptions about expected credit loss rates. The Group used judgments 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 allowances for expected credit losses of on these receivables involved significant judgments and estimates by management.

How our audit addressed the Key Audit Matter *(Continued)*

We have performed the following procedures in relation to the allowances for expected credit losses on trade and retention receivables and contract assets:

- We understood, evaluated and validated the key controls 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 judgments and estimates adopted by management in determining the allowances for expected credit losses of trade and retention receivables and contract assets were supportable by available evidence.

Independent Auditors' Report

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2019, were audited by another auditors who expressed an unmodified opinion on those statements on 23 September 2019.

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 auditors' report thereon ("Other Information").

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.

AUDITORS' 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 auditors' 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 Auditors' Report

AUDITORS' 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 skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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, actions taken to eliminate threats or safeguards applied.

Independent Auditors' Report

AUDITORS' 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 auditors' 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 director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895
Hong Kong, 22 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	7	**61,215**	82,775
Cost of sales		**(58,817)**	(65,510)
Gross profit		**2,398**	17,265
Other income	7	**387**	43
Administrative expenses		**(8,866)**	(8,827)
Finance costs	10	**(24)**	(18)
Allowances for expected credit losses of financial assets and contract assets	4.1(b)	**(804)**	(904)
(Loss)/profit before income tax	8	**(6,909)**	7,559
Income tax credit/(expense)	11	**1,035**	(1,123)
(Loss)/profit and total comprehensive (loss)/income for the year attributable to owners of the Company		**(5,874)**	6,436
(Loss)/earnings per share (expressed in HK cents per share)			
Basic and diluted	12	**(0.6)**	0.6

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Plant and equipment	13	300	788
Right-of-use assets	14	664	–
Deferred income tax assets	26	938	–
Deposits and prepayments	18	43	203
		1,945	991
Current assets			
Trade and retention receivables	16	4,771	20,542
Contract assets	17	18,684	20,245
Deposits, prepayments and other receivables	18	2,013	3,855
Current income tax recoverable		2,589	2,589
Restricted cash	19	5,012	4,682
Cash and cash equivalents	19	37,996	29,726
		71,065	81,639
Current liabilities			
Trade and retention payables	20	5,259	6,709
Accruals and other payables	21	2,280	4,775
Obligations under finance leases	22	–	150
Leases liabilities	23	498	–
		8,037	11,634
Net current assets		63,028	70,005
Total assets less current liabilities		64,973	70,996

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Obligations under finance leases	22	–	184
Lease liabilities	23	132	–
Deferred income tax liabilities	26	–	97
		132	281
Net assets		64,841	70,715
EQUITY			
Share capital	24	10,000	10,000
Share premium		36,855	36,855
Other reserves		10,100	10,100
Retained earnings		7,886	13,760
Total equity		64,841	70,715

The consolidated financial statements on pages 63 to 121 were approved for issue by the Board of Directors on 22 September 2020 and were signed on its behalf by:

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 2020

	Attributable to owners of the Company				
	Share capital HK$'000	**Share premium** HK$'000 *(Note (i))*	**Other reserves** HK$'000 *(Note (ii))*	**Retained earnings** HK$'000	**Total** HK$'000
As at 1 July 2018	10,000	36,855	10,100	7,324	64,279
Profit and total comprehensive income for the year	–	–	–	6,436	6,436
As at 30 June 2019 and 1 July 2019	**10,000**	**36,855**	**10,100**	**13,760**	**70,715**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**(5,874)**	**(5,874)**
As at 30 June 2020	**10,000**	**36,855**	**10,100**	**7,886**	**64,841**

Notes:

(i) As at 30 June 2019 and 2020, the share premium represents the difference between the par value of shares of WT Group Holdings Limited issued and the considerations received from the shareholders.

(ii) 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.

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 2020

	2020 HK$'000	2019 HK$'000
Cash flows from operating activities		
(Loss)/profit before income tax	(6,909)	7,559
Adjustments for:		
Interest income	(108)	(27)
Finance cost	24	18
Depreciation of plant and equipment	231	368
Depreciation of right-of-use assets	619	–
Loss on disposal of equipment	23	–
Trade and retention receivables written off	195	–
Allowances for expected credit losses of financial assets and contract assets	804	904
	(5,121)	8,822
Changes in working capital:		
Trade and retention receivables	15,969	2,725
Contract assets	400	(11,530)
Deposits, prepayments and other receivables	1,966	(1,289)
Restricted cash	(330)	(30)
Trade and retention payables	(1,450)	4,216
Accruals and other payables	(2,495)	507
Cash generated from operations	8,939	3,421
Income tax paid	–	(3,609)
Net cash generated from/(used in) operating activities	8,939	(188)
Cash flows from investing activities		
Purchases of plant and equipment	(149)	(55)
Proceeds on disposal of equipment	7	–
Interest received	108	85
Net cash (used in)/generated from investing activities	(34)	30
Cash flows from financing activities		
Repayments of lease liabilities	(611)	–
Repayments of finance lease liabilities	–	(143)
Interest paid	(24)	(18)
Net cash used in financing activities	(635)	(161)
Increase/(decrease) in cash and cash equivalents	8,270	(319)
Cash and cash equivalents at the beginning of the year	29,726	30,045
Cash and cash equivalents at the end of the year	37,996	29,726

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

1 GENERAL INFORMATION

WT Group Holdings Limited ("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$"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousands (HK$'000), unless otherwise stated.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associate and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iv) applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and

(v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee *(Continued)*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 2.53% to 2.66%.

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 is as follows:

	HK$'000
Operating lease commitments disclosed as at 30 June 2019	791
Present value of remaining lease payments, discounted using the incremental borrowing rate	777
Less: Recognition exemption — lease with lease term ending within 12 months	(115)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 July 2019	662
Add: obligations under finance lease recognised as at 30 June 2019	334
Lease liabilities as at 1 July 2019	996
Analysed as:	
Non-current	404
Current	592
	996

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee *(Continued)*

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

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	662
Amounts included in plant and equipment under HKAS 17	
— assets previously under finance leases *(Note (a))*	376
	1,038
By class:	
Leased premises	662
Leased motor vehicles	376
	1,038

The following table summarised the impacts of the application of HKFRS 16 on the Group's consolidated statement of financial position as at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported as at 30 June 2019 HK$'000	**Reclassification** *Note (a)* HK$'000	**Adjustments** *Note (b)* HK$'000	**Carrying amount under HKFRS 16 as at 1 July 2019** HK$'000
Non-current assets				
Plant and equipment	788	(376)	–	412
Right-of-use assets	–	376	662	1,038
Current liabilities				
Obligation under finance leases	150	(150)	–	–
Lease liabilities	–	150	442	592
Non-current liabilities				
Obligation under finance leases	184	(184)	–	–
Lease liabilities	–	184	220	404

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee *(Continued)*

Notes:

(a) In relation to assets previously under finance leases, the Group reclassified the carrying amounts of the relevant asset which were still under finance lease as at 1 July 2019 amounting to HK$376,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of approximately HK$150,000 and HK$184,000 to lease liabilities as current and non-current liabilities respectively at 1 July 2019.

(b) The application of HKFRS 16 to leases previously classified as operating leases under HKAS 17 resulted in the recognition of right-of-use assets of approximately HK$662,000 and lease liabilities of approximately HK$662,000 at the initial application of HKFRS 16.

New and amendments to HKFRSs in issue but not effective

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

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 16	Covid-19 — Related Rent Concessions[3]
HKFRS 17	Insurance Contracts[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non–current[5]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[5]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018–2020[5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 June 2020.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after 1 January 2022.
6 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 July 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3 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.

3.4 Segment reporting

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3.6 Plant and equipment

Plant and equipment are 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 profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation of plant 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	20%

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.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Leases (upon application of HKFRS 16 in accordance with transitions in Note 2)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis or another systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Leases (upon application of HKFRS 16 in accordance with transitions in Note 2) *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Leases (upon application of HKFRS 16 in accordance with transitions in Note 2) *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) *(Continued)*

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Leases (prior to 1 July 2019)

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 profit or loss and other 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 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

3.9 Impairment of non-financial assets

Non-financial 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.

3.10 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combination* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and effective interest method

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets and contract assets under ECL model

The Group recognises a loss allowance for ECL on financial assets and contract assets which are subject to impairment under HKFRS 9 (including trade and retention receivables, contract assets, deposits and other receivables and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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 4.1(b) for a description of the Group's impairment policies.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and contract assets under ECL model (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and contract assets under ECL model (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group also considers that default has occurred when the instrument is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes derecognition event. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and contract assets under ECL model (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and retention receivables, contract assets, deposits and other receivables are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and retention receivables, contract assets and deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial instruments *(Continued)*

Classification of financial liabilities or equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities (representing trade and retention payables, accruals and other payables and lease liabilities) are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.11 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.

3.12 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.14 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Employee benefits *(Continued)*

(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.

(d) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3.16 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 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, including the estimation of expected liquidation damages, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Revenue recognition *(Continued)*

(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.

3.18 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

For the year ended 30 June 2020

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (if the Group is itself such a plan) and the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

4 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

4.1 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 lease liabilities and cash and cash equivalents. 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 2020 on gross trade and retention receivables and contract assets from the Group's top five debtors amounting to approximately HK$16,811,000 (2019: HK$40,834,000) and accounted for 69% (2019: 94%). 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

For the year ended 30 June 2020

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

4.1 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.

The expected credit losses of the trade and retention receivables and contract assets were approximately HK$497,000 and HK$271,000 (2019: HK$2,289,000 and HK$270,000), respectively, based on an expected loss rate range from 1% to 29% (2019: approximately 23%).

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. During the year ended 30 June 2020, write off of trade and retention receivables and contract assets were approximately HK$2,484,000 and HK$270,000 (2019: HK$Nil and HK$Nil) respectively. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

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

4.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

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. As at 30 June 2020, the expected credit losses of deposits and other receivables were of approximately HK$36,000. (2019: Nil)

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.

Movement in the allowances for expected credit losses of financial assets and contract assets is as follows:

	Trade and retention receivables		Contract assets			
	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	Other receivables 12-m ECL	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 July 2018	–	1,533	–	122	–	1,655
Allowances for expected credit loss during the year	–	756	–	148	–	904
As at 30 June 2019 and 1 July 2019	–	2,289	–	270	–	2,559
Allowances for expected credit loss during the year	66	431	271	–	36	804
Write off as bad debts	–	(2,289)	–	(270)	–	(2,559)
As at 30 June 2020	**66**	**431**	**271**	**–**	**36**	**804**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

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

4.1 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.

	Undiscounted cash flow					
	Weighted average effective interest rate	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying amount
	% per annum	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 30 June 2020						
— Lease liabilities	**3.1**	**509**	**133**	**–**	**642**	**630**
— Accruals and other payables	**–**	**1,814**	**–**	**–**	**1,814**	**1,814**
— Trade and retention payables	**–**	**5,259**	**–**	**–**	**5,259**	**5,259**
		7,582	**133**	**–**	**7,715**	**7,703**
As at 30 June 2019						
— Obligations under finance leases	4.4	161	161	28	350	334
— Accruals and other payables	–	4,301	–	–	4,301	4,301
— Trade and retention payables	–	6,709	–	–	6,709	6,709
		11,171	161	28	11,360	11,344

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

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

4.2 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. As at 30 June 2020, total debts represent lease liabilities (2019: obligation under finance leases).

	2020 **HK$'000**	2019 HK$'000
Total debts	**630**	334
Total assets	**73,010**	82,630
Debt-to-asset ratio	**0.9%**	0.4%

The change in debt-to-asset ratio is mainly related to increase in debts during the year.

4.3 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 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 lease liabilities is assumed to approximate its fair value as the amount bears interest at commercial rate.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 judgment in applying the Group's accounting policies.

Estimates and judgments 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 judgment 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) Allowances for expected credit losses of trade and retention receivables and contract assets

The allowances for expected credit losses 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 judgments 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 4.1(b).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

6 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.

The Group is domiciled in Hong Kong and revenue are all derived from external customers in Hong Kong for the years ended 30 June 2020 and 2019. During the year ended 30 June 2020, revenue from 3 (2019: 4) customers individually contributed over 10% of the Group's revenue. The revenue from each of these customers during the year are summarised below:

	2020 **HK$'000**	2019 HK$'000
Customer A	**24,343**	31,986
Customer B	**NA***	18,705
Customer C	**NA***	18,393
Customer D	**NA***	10,626
Customer E	**7,207**	NA*
Customer F	**7,110**	NA*

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

7 REVENUE AND OTHER INCOME

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

	2020 HK$'000	2019 HK$'000
Revenue:		
Contract revenue *(Note)*	61,215	82,775
Other income:		
Interest income	108	27
Government grants	184	–
Sundry income	95	16
	387	43

Note: Contract revenue are recognised over time during the years ended 30 June 2020 and 2019.

8 (LOSS)/PROFIT BEFORE INCOME TAX

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

	2020 HK$'000	2019 HK$'000
Construction costs recognised in cost of sales *(Note a)*	58,817	65,510
Employee benefits expenses, including directors' emoluments *(Note b)*	10,369	11,093
Depreciation of plant and equipment *(Note 13)*	231	368
Depreciation of right-of-use assets *(Note 14)*	619	–
Auditors' remuneration — Audit service		
— HLB Hodgson Impey Cheng Limited	660	–
— Other auditor	73	950
Operating lease charges in respect of the Group's leases premises under HKAS 17	–	272
Short-term lease expenses	136	–
Loss on disposal of equipment	23	–
Trade and retention receivables written off	195	–

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

8 (LOSS)/PROFIT BEFORE INCOME TAX *(Continued)*

Notes:

(a) Construction costs included costs of construction materials, staff costs, subcontracting charges, insurance and transportation.

(b) Employee benefits expenses, including directors' emoluments

	2020 **HK$'000**	2019 HK$'000
Wages, salaries, bonuses and other benefits	**10,115**	10,813
Pension costs — defined contribution plans	**254**	280
	10,369	11,093
Amount included in construction costs	**(5,567)**	(6,460)
Amount included in administrative expenses	**4,802**	4,633

(c) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 3 directors for the year (2019: 3), whose remuneration are reflected in the analysis presented in Note 9 below.

The remuneration paid to the remaining 2 (2019: 2) individuals are as follows:

	2020 **HK$'000**	2019 HK$'000
Wages, salaries and other benefits	**1,606**	1,530
Bonuses	**134**	130
Pension costs — defined contribution plans	**36**	36
	1,776	1,696

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 years ended 30 June 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

9 DIRECTORS' AND CHIEF EXECUTIVE'S 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 2020:

	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind (Note (d)) HK$'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	–	872	99	312	18	1,301
Ms. Du Juan *(Note (a))*	–	100	–	–	5	105
Independent non-executive directors:						
Mr. Leung Chi Hung	180	–	–	–	–	180
Ms. Hung Siu Woon Pauline *(Note (b))*	60	–	–	–	–	60
Ms. Wong Lai Na	180	–	–	–	–	180
Ms. Yen Kwun Wing *(Note (c))*	95	–	–	–	–	95
	515	3,340	297	312	59	4,523

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

9 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 30 June 2019:

	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind (Note (d)) HK$'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 *(Note (a))*	–	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

Notes:

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

(b) Ms. Hung Siu Woon Pauline, an independent non-executive director, has passed away on 19 October 2019.

(c) Ms. Yen Kwun Wing was appointed as the Company's independent non-executive director on 20 December 2019.

(d) 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.

During the years ended 30 June 2020 and 2019, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office. There was no director of the Company agreed to waive or waived any emoluments during the years ended 30 June 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

10 FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	24	–
Interest on finance lease liabilities	–	18
	24	18

11 INCOME TAX CREDIT/(EXPENSE)

No Hong Kong profits tax has been provided as the Group did not have assessable profit for the year ended 30 June 2020. (2019: Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit).

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%.

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 for the years ended 30 June 2020 and 2019.

The amount of income tax credit/(expense) charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2020 HK$'000	2019 HK$'000
Current income tax		
— Hong Kong profits tax	–	(120)
Deferred income tax *(Note 26)*	1,035	(1,003)
Income tax credit/(expenses)	1,035	(1,123)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

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

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

	2020 **HK$'000**	2019 HK$'000
(Loss)/profit before income tax	**(6,909)**	7,559
Tax calculated at a tax rate of 16.5% (2019: 16.5%)	**1,140**	(1,247)
Tax effect under two-tiered profits tax rates regime	**–**	120
Expenses not deductible for tax purposes	**(153)**	–
Income not subject to tax	**48**	4
Income tax credit/(expense)	**1,035**	(1,123)

12 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2020	2019
(Loss)/profit attributable to owners of the Company (in HK$'000)	**(5,874)**	6,436
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share (in thousand)	**1,000,000**	1,000,000
(Loss)/earnings per share (HK cents per share)	**(0.6)**	0.6

(b) Diluted

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

13 PLANT AND EQUIPMENT

	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
As at 1 July 2018	537	1,834	2,371
Additions	55	–	55
As at 30 June 2019	592	1,834	2,426
Adjustments upon application of HKFRS 16	–	(770)	(770)
As at 1 July 2019	592	1,064	1,656
Additions	46	103	149
Disposals	(101)	–	(101)
As at 30 June 2020	**537**	**1,167**	**1,704**
Accumulated depreciation			
As at 1 July 2018	(162)	(1,108)	(1,270)
Charge for the year	(116)	(252)	(368)
As at 30 June 2019	(278)	(1,360)	(1,638)
Adjustments upon application of HKFRS 16	–	394	394
As at 1 July 2019	(278)	(966)	(1,244)
Charge for the year	(126)	(105)	(231)
Disposals	71	–	71
As at 30 June 2020	**(333)**	**(1,071)**	**(1,404)**
Net carrying values			
As at 30 June 2020	**204**	**96**	**300**
As at 30 June 2019	314	474	788

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

13 PLANT AND EQUIPMENT *(Continued)*

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

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

As at 1 July 2019, adjustment had been made to reclassify the motor vehicles under finance leases to right-of-use assets upon application of HKFRS 16.

14 RIGHT-OF-USE ASSETS

	Leased premises HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
As at 1 July 2019	662	376	1,038
Additions during the year *(Note)*	245	–	245
Depreciation provided during the year	(465)	(154)	(619)
As at 30 June 2020	**442**	**222**	**664**

Note: The right-of-use assets represent the Group's right to use underlying leased premises under operating lease arrangement over the lease terms. The lease contract is entered into for fixed term of 2 years during the year ended 30 June 2020. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 30 June 2020, the right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements of approximately HK$442,000 and motor vehicles under finance lease of approximately HK$222,000 respectively, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

15 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	2020 HK$'000	2019 HK$'000
Financial assets at amortised cost:		
Trade and retention receivables	**4,771**	20,542
Deposits and other receivables	**1,483**	312
Restricted cash	**5,012**	4,682
Cash and cash equivalents	**37,996**	29,726
	49,262	55,262
Financial liabilities at amortised cost:		
Trade and retention payables	**5,259**	6,709
Accruals and other payables	**1,814**	4,301
Obligations under finance leases	**–**	334
Lease liabilities	**630**	–
	7,703	11,344

16 TRADE AND RETENTION RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**3,741**	21,848
Retention receivables	**1,527**	983
Trade and retention receivables	**5,268**	22,831
Less: Allowance for expected credit losses *(Note 4.1(b))*	**(497)**	(2,289)
Trade and retention receivables, net	**4,771**	20,542

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

16 TRADE AND RETENTION RECEIVABLES *(Continued)*

The ageing analysis of the gross trade receivables, based on invoice date, was as follows:

	2020 HK$'000	2019 HK$'000
Up to 30 days	**2,241**	9,370
31–60 days	**–**	2,579
61–90 days	**–**	–
91–120 days	**–**	–
121–365 days	**–**	404
Over 1 year	**1,500**	9,495
	3,741	21,848

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

	2020 HK$'000	2019 HK$'000
Up to 1 year	**545**	45
Over 1 year	**982**	938
	1,527	983

The movements of allowance for expected credit losses of trade and retention receivables is disclosed in Note 4.1(b).

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

17 CONTRACT ASSETS

	2020 **HK$'000**	2019 HK$'000
Contract assets relating to:		
Uncertified work-in-progress	**11,008**	10,451
Retention receivables	**7,947**	10,064
	18,955	20,515
Less: Allowance for expected credit losses *(Note 4.1(b))*	**(271)**	(270)
Contract assets, net	**18,684**	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 preagreed 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.

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:

	2020 **HK$'000**	2019 HK$'000
Up to 1 year	**787**	4,910
Over 1 year	**7,160**	5,154
	7,947	10,064

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

17 CONTRACT ASSETS *(Continued)*

The movements of allowance for expected credit losses of contract assets is disclosed in Noted 4.1(b).

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

	2020 **HK$'000**	2019 HK$'000
Aggregate amount of the transaction price allocated to long-term construction contracts that are unsatisfied	**32,550**	83,695

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Deposits and other receivables	**1,519**	312
Prepayments	**573**	3,746
	2,092	4,058
Less: Allowance for expected credit losses *(Note 4.1(b))*	**(36)**	–
Deposits, prepayments and other receivables, net	**2,056**	4,058
Less: Non-current portion — Deposits and prepayments	**(43)**	(203)
	2,013	3,855

The movements of allowance for expected credit losses of other receivables is disclosed in Note 4.1(b).

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

19 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2020 **HK$'000**	2019 HK$'000
Restricted cash	**5,012**	4,682

As at 30 June 2020, restricted cash represented deposits of HK$5,012,000 (2019: HK$4,682,000) placed in insurance companies as collateral for performance bonds. Restricted cash is interest-free.

	2020 **HK$'000**	2019 HK$'000
Cash and cash equivalents	**37,996**	29,726

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

20 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.

	2020 HK$'000	2019 HK$'000
Trade payables	2,604	3,890
Retention payables	2,655	2,819
	5,259	6,709

The ageing analysis of the trade payables, based on invoice date, was as follows:

	2020 HK$'000	2019 HK$'000
Up to 30 days	2,604	3,852
31–90 days	–	–
Over 90 days	–	38
	2,604	3,890

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:

	2020 HK$'000	2019 HK$'000
Up to 1 year	1,578	1,875
Over 1 year	1,077	944
	2,655	2,819

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

21 ACCRUALS AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Accruals for legal and professional fees	**766**	1,215
Other accruals and other payables	**1,514**	3,560
	2,280	4,775

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

22 OBLIGATIONS UNDER FINANCE LEASES

The total future minimum lease payment of obligation under finance lease as at 30 June 2019 is as follows:

	2019 HK$'000
No later than 1 year	161
Later than 1 year and no later than 5 years	189
	350
Less: future finance lease charges on finance lease	(16)
	334

The present value of finance lease liabilities is as follows:

No later than 1 year	150
Later than 1 year and no later than 5 years	184
	334

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. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

Upon application of HKFRS 16 on 1 July 2019, the obligations under finance leases were reclassified as lease liabilities.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

23 LEASE LIABILITIES

The total future minimum lease payment of lease arrangements and their present values as at 30 June 2020 are as follows:

	Minimum lease payment HK$'000	Present value of minimum lease payment HK$'000
No later than 1 year	509	498
Later than 1 year and no later than 5 years	133	132
Total future minimum lease payment	642	630
Less: total future interest expenses	(12)	
Present value of lease liabilities	630	
Less: Amount due from settlement no later than one year		(498)
Amount due from settlement after one year		132
Analysed by:		
Leased premises		446
Motor vehicle		184
		630

Note: Lease liabilities included leased premises and hire purchase of motor vehicles. The effective interest rates of the lease liabilities are between 2.53% and 4.74% per annum.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

24 SHARE CAPITAL

	Number of shares (in thousand)	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	5,000,000	50,000
Issued and fully paid:		
As at 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	1,000,000	10,000

25 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 30 June 2020 (2019: Nil).

26 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 assets/(liabilities) are as follows:

	HK$'000
At 1 July 2018	906
Charged to the consolidation statement of profit or loss and other comprehensive income	(1,003)
As at 30 June 2019 and 1 July 2019	(97)
Credited to the consolidation statement of profit or loss and other comprehensive income	1,035
As at 30 June 2020	**938**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

26 DEFERRED INCOME TAX *(Continued)*

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
As at 1 July 2018	1,030
Charged to the consolidated statement of profit or loss and other comprehensive income	(1,030)
As at 30 June 2019 and 1 July 2019	–
Credited to the consolidated statement of profit or loss and other comprehensive income	998
As at 30 June 2020	**998**

Deferred income tax liabilities

	Accelerated depreciation allowance
	HK$'000
As at 1 July 2018	(124)
Credited to the consolidated statement of profit or loss and other comprehensive income	27
As at 30 June 2019 and 1 July 2019	(97)
Credited to the consolidated statement of profit or loss and other comprehensive income	37
As at 30 June 2020	**(60)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

27 RELATED PARTIES TRANSACTIONS

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:

	2020 HK$'000	2019 HK$'000
Salaries, bonuses, other allowances and benefits in kind	5,375	5,601
Retirement benefit costs — defined contribution plans	76	81
	5,451	5,682

28 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Obligation under finance leases/Lease liabilities HK$'000
At 1 July 2018	477
Financing cash flow	(143)
At 30 June 2019	334
Adjustment upon application of HKFRS 16	662
At 1 July 2019	996
Financing cash flows	(611)
Non-cash movements:	
New lease entered	245
At 30 June 2020	**630**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

29 PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries as at 30 June 2020 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	
					2020	2019
					%	%
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**	100
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 held works in Hong Kong	HK$100,000	**100**	100
Million Sea Development Limited	Hong Kong	Limited liability company	Dormant	HK$100	**100**	100

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

30 OPERATING LEASE COMMITMENTS

As lessee

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

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

31 NON-CASH TRANSACTION

Upon application of HKFRS 16 relating to operating leases, the Group recognised right-of-use assets of approximately HK$1,038,000 and lease liabilities of approximately HK$996,000.

The Group entered into new lease agreement for the use of leased premise for fixed terms of 2 years. On the lease commencement, the Group recognised right-of-use assets of approximately HK$245,000 and lease liabilities of approximately HK$245,000.

32 CONTINGENT LIABILITIES

As at 30 June 2020, the Group has given guarantees on performance bonds issued by insurance companies of HK$5,012,000 in respect of four construction contracts of the Group in its ordinary course of business (2019: HK$4,682,000 in respect of three 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

For the year ended 30 June 2020

33 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current asset		
Investments in subsidiaries	**19,832**	19,832
Current assets		
Prepayments	**120**	120
Amount due from a subsidiary	**31,608**	31,108
Cash and cash equivalents	**110**	100
	31,838	31,328
Current liabilities		
Accrual	**660**	–
Amount due to a subsidiary	**1**	1
	661	1
Net current assets	**31,177**	31,327
Total assets less current liabilities	**51,009**	51,159
Equity		
Share capital	**10,000**	10,000
Share premium	**56,686**	56,686
Accumulated losses	**(15,677)**	(15,527)
Total equity	**51,009**	51,159

The statement of financial position of the Company was approved by the Board of Directors on 22 September 2020 and was signed on its behalf by:

Mr. KUNG Cheung Fai Patrick
Director

Mr. YIP Shiu Ching
Director

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

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

(b) Reserve movement of the Company

	Share premium	Accumulated loss	Total
	HK$'000	HK$'000	HK$'000
As at 1 July 2018	56,686	(15,452)	41,234
Loss for the year	–	(75)	(75)
As at 30 June 2019 and 1 July 2019	56,686	(15,527)	41,159
Loss for the year	–	(150)	(150)
As at 30 June 2020	**56,686**	**(15,677)**	**41,009**

34 EVENTS AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to the end of the reporting period.

35 COMPARATIVES

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach, comparative information is not restated, details of the changes in accounting policies are disclosed in Note 2.

In addition, certain comparative amounts have been reclassified to conform with current year's presentation.

36 AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements was approved and authorised for issued by the Board of Directors on 22 September 2020.

Financial Summary

RESULTS

	For the year ended 30 June				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**61,215**	82,775	44,995	75,370	44,655
Cost of sales	**(58,817)**	(65,510)	(37,174)	(52,625)	(31,428)
Gross profit	**2,398**	17,265	7,821	22,745	13,227
(Loss)/profit for the year	**(5,874)**	6,436	(9,563)	9,467	8,531

ASSETS AND LIABILITIES

	As at 30 June				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**1,945**	991	1,189	1,745	580
Current assets	**71,065**	81,639	77,706	54,487	30,266
Non-current liabilities	**132**	281	400	576	269
Current liabilities	**8,037**	11,634	9,293	20,746	9,434
Net current assets	**63,028**	70,005	68,413	33,741	20,832
Net Assets	**64,841**	70,715	69,202	34,910	21,143

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

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.