



# Super Strong Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8262

# 2020

## Annual Report

## **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

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*This report, for which the directors (the "**Directors**") of Super Strong Holdings Limited (the "**Company**") 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 enquiries, confirm that to the best of their knowledge 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.*

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

Mr. Kwok Tung Keung (*Chairman*)  
Mr. Ko Chun Hay Kelvin (*Chief Executive Officer*)

#### **Non-Executive Director**

Mr. Woo See Shing (resigned on 31 March 2020)

#### **Independent Non-Executive Directors**

Mr. So Chi Wai (resigned on 31 March 2020)  
Ms. Wong Shuk Fong  
Mr. Donald William Sneddon  
Mr. Ng Man Li (appointed on 1 April 2020)

### **BOARD COMMITTEE**

#### **Audit Committee**

Ms. Wong Shuk Fong (*Chairman*)  
Mr. So Chi Wai (resigned on 31 March 2020)  
Mr. Donald William Sneddon  
Mr. Ng Man Li (appointed on 1 April 2020)

#### **Remuneration Committee**

Ms. Wong Shuk Fong (*Chairman*)  
Mr. So Chi Wai (resigned on 31 March 2020)  
Mr. Kwok Tung Keung  
Mr. Donald William Sneddon  
Mr. Ng Man Li (appointed on 1 April 2020)  
Mr. Ko Chun Hay Kelvin

#### **Nomination Committee**

Mr. Ng Man Li (appointed on 1 April 2020) (*Chairman*)  
Mr. Kwok Tung Keung  
Ms. Wong Shuk Fong  
Mr. Donald William Sneddon  
Mr. Ko Chun Hay Kelvin

### **COMPANY SECRETARY**

Mr. Ko Chun Hay Kelvin

### **AUTHORISED REPRESENTATIVES**

Mr. Kwok Tung Keung  
Mr. Ko Chun Hay Kelvin

### **AUDITOR**

ZHONGHUI ANDA CPA Limited  
*Certified Public Accountants*

### **LEGAL ADVISER**

As to Hong Kong Law  
S.K. Wong & Co.  
*Solicitors, Hong Kong*

### **REGISTERED OFFICE**

Maples Corporate Services Limited  
PO Box 309, Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit D, 3/F., Freder Centre  
3 Mok Cheong Street, Tokwawan  
Kowloon, Hong Kong

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

Maples Fund Services (Cayman) Limited  
PO Box 1093  
Boundary Hall  
Cricket Square Grand Cayman KY1-1102  
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

### **PRINCIPAL BANKERS**

Hang Seng Bank Limited  
Bank of China (Hong Kong) Limited  
OCBC Wing Hang Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Bank of Communications (Hong Kong) Limited

### **COMPANY WEBSITE**

[www.wmcl.com.hk](http://www.wmcl.com.hk)  
(information of this website does not form part of this report)

### **STOCK CODE**

08262

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the “**Board**”) of the Company and its subsidiaries (collectively, the “**Group**”), I am delighted to present the annual report of the Group to you.

Apart from the past year’s political tension in Hong Kong and in the midst of “tug of war” between the US and China, the recent worldwide lockdown, due to COVID-19 for more than 9 months, has fueled uncertainties in the Hong Kong property market. Fortunately, with the support of Chinese government to stabilize Hong Kong economy and the strong internal demand in property, the property market has reflected a very stable environment. However, property investment in Hong Kong has been slowed down. Other than the government construction projects, the property construction orders in the private sector, had dropped sharply and competition was particularly keen attached with a very thin margin. Some highly competitive pricing offers attached with lower compliance or quality requirements are common in the market. Construction business in Hong Kong will continue to be challenging.

Having engaged in its 30-years’ construction business in Hong Kong, the Group will continue to submit its tenders to the property developers. In order to safeguard our shareholder’s fund, we must target to take up reasonable margins projects. We are confident to undertake new projects with reasonable margins in the coming days, with the support of our highly-regarded management team, to pursuit of excellence in our timely quality projects.

Our Group will continue to pursue a business strategy plan which involves identifying and taking up projects with reasonable yield while at the same time evaluating and balancing the risks and returns for each potential investment so as to broaden the business scope and to maximize the returns for the shareholders. On 8 August 2019, we have entered into a joint venture agreement with an independent third party, a land owner in Sai Kung, to form a new joint venture company, Grand Paradise Development Limited (“**Grand Paradise**”), to jointly carry out the business of the development and gardening of land in Sai Kung, New Territories, Hong Kong and the operation of leisure paradise. The issued share capital of Grand Paradise will be owned as to 65% by the Group and 35% by the land owner, respectively and the joint venture company will be accounted for as a subsidiary of the Group. The joint venture could provide an opportunity for the Group to integrate its operations from property construction service to developing land and operating leisure paradise, and to improve the profitability of the Group as well. In the coming days, the Group will take up the role of developer in the project. In addition, we are also in discussion of another new property development project involving investment and construction in Fanling.

We believe that our Group steps into a turning point to actively participate in the developer’s role. The above activities underscore our commitment to identifying and executing on acquisition and diversification opportunities that, while being value adding as part of our existing one-stop-shop strategy, can be a pathway to unlocking growth prospects in businesses that are complementary to our existing operations.

Looking forward, without compromising a corporate strategy to generate or preserve value over the longer term, we will continue to explore new business and investment opportunities that may generate additional return to the shareholders of our Group through acquisitions or strategic cooperation with business partners.

On behalf of the Group, I would like to take this opportunity to express my sincere gratitude to our shareholders, developers, subcontractors and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group. We will persist in striving for better results for our Group.

**Super Strong Holdings Limited**  
**Kwok Tung Keung**  
*Chairman*

Hong Kong, 23 September 2020

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

During the year, the Group has maintained its participation in the industry by running about 25 construction projects. Those projects have substantially completed in previous years and majority of the projects have been entered into their preliminary completion stage during the year. At the same time, the new project has not been commenced.

The drop of the Group's revenue was also affected by the disposal of a subsidiary company, a property management company, in last year. After eliminating the above effect, the Group's revenue has dropped by about 50%, resulting to the significant drop in profit after tax during the year.

During the year, the Group has successfully recovered a few doubtful accounts, being recorded in the sundry income. There are a reduction of administrative expenses of about \$1.6 million, due to the contraction of business while there is an exchange loss of foreign currency of about \$0.8 million.

Facing with keen competition and uncertainties in the economic environment, the Group continues to maintain a healthy financial position in its account by keeping a particularly low level of debt.

Looking forward, the Directors consider that the future business opportunities which the group faced will be affected by the performance of the property market in Hong Kong, The recent political tension in Hong Kong and the sudden lockdown due to COVID-19, have fueled uncertainties in Hong Kong property market and it will unavoidably slow down the property transactions or giving pricing pressure to property market. It will in turn affect the property construction business in Hong Kong. The group has entered into a turning point by increasingly participating in the investment role and the developer role of the project, instead of merely taking up a property construction project. With its extensive experience in the property construction market and its healthy financial position, the Directors are full of confidence to lead the Group into its new realm.

### **FINANCIAL REVIEW**

#### **Revenue**

Our revenue decreased from approximately HK\$507.8 million for the year ended 30 June 2019 to approximately HK\$217.3 million for the year ended 30 June 2020, representing a decrease of approximately 57.2%. Such decrease were partly due to a drop of construction orders being taken up during the year and partly due to the disposal of a subsidiary on 14 February 2019.

#### **Direct Cost**

Our direct costs decreased from approximately HK\$456.0 million for the year ended 30 June 2019 to approximately HK\$196.2 million for the year ended 30 June 2020, representing a decrease of approximately 57.0%. Such decrease were partly due to the drop of revenue and partly due to the disposal of a subsidiary on 14 February 2019.

#### **Gross Profit**

Gross profit of the Group decreased by approximately 59.3% from approximately HK\$51.8 million for the year ended 30 June 2019 to approximately HK\$21.1 million for the year ended 30 June 2020. The overall gross profit margin decreased from approximately 10.2% for the year ended 30 June 2019 to approximately 9.7% for the year ended 30 June 2020. The decrease in gross profit was in line with the drop in revenue during the year. There is no material fluctuation in the gross profit margin.

#### **Administrative Expenses**

Administrative expenses mainly consist of staff costs, rental expenses, donation and professional fees. Administrative expenses of the Group decreased by approximately 27.4% from approximately HK\$33.9 million for the year ended 30 June 2019 to approximately HK\$24.6 million for the year ended 30 June 2020. The decrease was mainly due to the disposal of subsidiary on 14 February 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Income Tax Expense

Income tax expense of the Group decreased by approximately 90.0% from approximately HK\$4.0 million for the year ended 30 June 2019 to approximately HK\$0.4 million for the year ended 30 June 2020. The decrease was mainly due to the decrease in the Group's taxable profit.

### Profit and Total Comprehensive Income for the Year Ended 30 June 2020 Attributable to Owners of the Company

Profit and total comprehensive income for the year attributable to owners of the Company decreased by approximately 85.1% from approximately HK\$16.1 million for the year ended 30 June 2019 to approximately HK\$2.4 million for the year ended 30 June 2020. The decrease was mainly due to the decrease in revenue during the year ended 30 June 2020.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position during the year ended 30 June 2020. As at 30 June 2020, the Group had bank balances and cash of approximately HK\$131.4 million (30 June 2019: approximately HK\$93.1 million) and pledged bank balances of approximately HK\$15.9 million (30 June 2019: approximately HK\$64.5 million). The total interest-bearing borrowings of the Group as at 30 June 2020 was approximately HK\$5.0 million (30 June 2019: approximately HK\$5.0 million), and the current ratio as at 30 June 2020 was approximately 2.8 times (30 June 2019: approximately 2.4 times).

As at 30 June 2020, the Group had total assets of approximately HK\$242.2 million (30 June 2019: approximately HK\$270.3 million), which is financed by total liabilities and shareholders' equity of approximately HK\$82.6 million (30 June 2019: approximately HK\$106.1 million) and approximately HK\$159.6 million (30 June 2019: approximately HK\$164.2 million), respectively.

### GEARING RATIO

The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings) divided by total equity as at the respective reporting date. As at 30 June 2020, the Group recorded gearing ratio of approximately 3.1% (30 June 2019: approximately 3.0%), which remained low as the Group had adequate bank balances and cash after the Listing.

### TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 30 June 2020. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### PLEDGE OF ASSETS

As at 30 June 2020, the Group pledged its bank deposits to a bank of approximately HK\$15.9 million (30 June 2019: approximately HK\$64.5 million) as collateral to secure bank facilities granted to the Group.

As at 30 June 2020, the Group pledged its deposits paid for a life insurance policy with an aggregate net book value of approximately HK\$9.3 million (30 June 2019: approximately HK\$9.2 million) as collateral to secure bank facilities granted to the Group. Also, the performance bonds granted by the banks are secured by the project proceeds from certain construction contracts of the Group.

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FOREIGN EXCHANGE EXPOSURE**

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the functional currency of all the group entities. For the year ended 30 June 2020, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

### **CAPITAL STRUCTURE**

As at 30 June 2020, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each. There was no change in capital structure during the year ended 30 June 2020.

### **COMMITMENTS**

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK\$nil as at 30 June 2020 (30 June 2019: approximately HK\$2.3 million). As at 30 June 2020, the Group did not have any capital commitment (30 June 2019: Nil).

### **SEGMENT INFORMATION**

Segmental information is presented for the Group as disclosed on note 6 to the consolidated financial statements.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the prospectus of the Company dated 17 March 2016 (the "**Prospectus**") and in this report, the Group did not have other plans for material investments or capital assets as of 30 June 2020.

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

On 8 August 2019, a wholly owned subsidiary of the Company, King Victory Investment Limited ("**KV**") has entered into the joint venture agreement with an independent third party, More Wealth Development Limited ("**MW**") to form a new joint venture company, Big Bull Financial Services Company Limited ("**JV Company**"), to jointly carry out the business of the development and gardening of the land being owned by MW in Sai Kung, New Territories, Hong Kong, and operation of leisure paradise. Pursuant to which, the issued share capital of the JV Company will be owned as to 65% by KV and 35% by MW, respectively. The JV Company has been accounted as a subsidiary of the Group.

### **CONTINGENT LIABILITIES**

As at 30 June 2020, the Group did not have any performance guarantee given by banks in favour of the Group's customers (30 June 2019: HK\$13.0 million) as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers for construction work. The Group has contingent liabilities to indemnify the banks for any claims from customers under the guarantee due to the failure of the Group's performance. The performance guarantee will be released upon completion of the contract works.



## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total of 53 employees (30 June 2019: 62 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$25.6 million for the year ended 30 June 2020 (30 June 2019: approximately HK\$95.9 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

### SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the year ended 30 June 2020.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:

- (i) We may not be able to sustain growth rate and profit margin similar to those we achieved in the past, or maintain our cash flow position or financial performance in the future
- (ii) Our business relies on successful tenders that determine the award of our projects contracts and is non-recurring in nature
- (iii) We rely on subcontractors to help complete our projects and to supply the machinery required
- (iv) The price of our variation works may not be clearly determined
- (v) We are exposed to our customers' credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full
- (vi) We rely on a limited number of major customers

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

### COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the year ended 30 June 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES**

#### **Customers**

The Group provides general building and specialised building services to customers from both the public and private sectors in Hong Kong. The majority of our revenue was derived from projects for customers in the private sector, and our major customers include companies engaged in property investment and development, social service organisation. During the year ended 30 June 2020, the Directors consider that the Group does not rely on any single customer. The Group has had business relationship with most of the top 5 customers ranging from 1 year to over 10 years and is being invited to tender or quote from time to time.

#### **Suppliers and Subcontractors**

During the year ended 30 June 2020, the Group (i) purchased construction materials used in the construction sites from suppliers; (ii) purchased other miscellaneous goods for the construction sites from suppliers; and (iii) engaged subcontractors to perform the construction works to enable the Group to continue to carry on its business.

The Group maintains an internal list of approved subcontractors and suppliers, for each categories of building works and materials where the list is updated on a continuous basis. While engaging subcontractors, the Group generally selects the most suitable subcontractor from the approved list based on their relevant skill sets and experience, subject to their availability and fee quotations.

The Group generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or assigning subcontractors during the year ended 30 June 2020. The Group did not have any significant disputes with any of its top five suppliers and subcontractors during the year ended 30 June 2020.

#### **Employees**

The Group recognises employees as valuable assets of the Group and during the year ended 30 June 2020, the Group has complied with the applicable labour laws and regulations and regularly reviewed the existing staff benefits for improvement. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

The Directors consider that the Group has maintained good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the year ended 30 June 2020. The Directors also consider that the relationship and co-operation between the management team and the employees have been good during the year ended 30 June 2020.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Kwok Tung Keung (郭棟強) (“Mr. Kwok”)**, aged 61, is our Chairman and executive Director. He was appointed as an executive Director and the chairman of the Board on 21 December 2015. Mr. Kwok is responsible for the operational aspects of our Group, and is responsible for the formulation of business development strategies of our Group. He is the co-founder and director of WM Engineering. Mr. Kwok is also a shareholder and director of Best Brain Investments Limited, the controlling shareholder of the Company, which is beneficially interested in approximately 31.25% of the total issued share capital of the Company as at 30 June 2020.

Mr. Kwok has over 30 years of experience in the civil engineering industry. Mr. Kwok gained sound knowledge in civil engineering and commercial management during his extensive experience in the field. Mr. Kwok joined WM Construction in July 1993 as a project manager. He was later appointed as the managing director of WM Construction from July 1999 onwards and finally became the sole shareholder of WM Construction on 30 April 2005.

Mr. Kwok also holds various posts in the construction and civil engineering industries. He is, currently, the President of the Hong Kong Society of Registered Safety Auditors and Review Officers, a committee member of the Construction Industry Safety & Health Committee, a committee member of the Productivity of the Construction Industry Council, a committee member of the Technical Committee on the Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme and a committee member of the Technical Committee on the Code of Practice for Foundations of the Building Department.

Mr. Kwok obtained a Bachelor of Science in Building Construction & Management degree from the University of Reading in the United Kingdom in July 1984.

**Mr. Ko Chun Hay Kelvin (高浚晞) (“Mr. Ko”)**, aged 56, is our Chief Executive Officer, executive Director and company secretary. He was appointed as an executive Director on 26 October 2016. Mr. Ko is responsible for the formulation of business development strategies and supervision of the financial management of our Group.

Mr. Ko holds a master degree of Science in Finance from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants. He has over 30 years of experience in finance, auditing, taxation and management spanning a diverse range of businesses from manufacturing to property development group and has undertaken senior management roles in a few listed companies in the past 20 years. He is an executive director of Golden Faith Group Holdings Limited (a company listed on the Main Board, Stock Code: 2863) since January 2019.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mr. Ng Man Li (“Mr. Ng”)**, aged 53, was appointed as our independent non-executive Director on 1 April 2020.

Mr. Ng graduated from The University of Hong Kong in social science in December 1989. He became an associate member of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the Association of Chartered Certified Accountants in the United Kingdom respectively in 1995 and he has been a practicing member of HKICPA since 1999. Mr. Ng has over 30 years of experience in auditing, accounting and taxation work. He had worked at the audit department of Deloitte Touche Tohmatsu for about 7 years from June 1989 to October 1996. He then held a managerial position at the audit department with Nexia Charles Mar Fan & Company for about 14 years from October 1996 to January 2011. He then worked as a Principal from January 2011 and as a Partner from June 2011 in Lo and Kwong C.P.A. Company Limited.

**Mr. Donald William Sneddon (邵廷文) (“Mr. Sneddon”)**, aged 57, was appointed as our independent non-executive Director on 3 April 2017.

Mr. Sneddon is a Certified Public Accountant and member of the Certified Public Accountants of Alberta and holds a Bachelor of Commerce degree from the University of Alberta in Canada. Mr. Sneddon has over 25 years of experience majoring in internal and external audit field and 10 years of experience in compliance which was gained by working in prestige international banks and one of the big four accounting firms. Mr. Sneddon currently works as consultant in Ho Sneddon Chow Certified Public Accountants Ltd.

**Ms. Wong Shuk Fong (黃淑芳) (“Ms. Wong”)**, aged 37, was appointed as our independent non-executive Director on 9 March 2016. Ms. Wong joined China Baofeng (International) Limited (“**China Baofeng**”) (formerly named as Mastercraft International Holdings Limited) (a company listed on the Stock Exchange of Hong Kong, Stock Code: 3966) as financial controller and company secretary in February 2011, and became an executive director of China Baofeng in July 2015. China Baofeng has initiated to privatise on 17 June 2020 and has been delisted the Stock Exchange of Hong Kong at 7 September 2020. Ms. Wong resigned from the positions of executive director and company secretary of China Baofeng in February 2016, and is currently a financial controller of Mastercraft International Limited, a subsidiary of China Baofeng.

From August 2006 to May 2010, Ms. Wong served with CCIF CPA Limited, had gained extensive experience in the audit field. During that time, Ms. Wong was involved in the handling of initial public offerings, auditing and substantial corporate transactions for listed companies in Hong Kong. In July 2010, she established her own business in Hong Kong of providing advice on tax matters, and assistance to listed companies in the preparation of public financial reports and corporate announcements.

Ms. Wong obtained a Bachelor of Business degree from the University of Technology, Sydney in May 2005, and a Master of Commerce in Accounting degree from the University of New South Wales in September 2006. She was accredited as a certified public accountant by CPA Australia and Hong Kong Institute of Certified Public Accountants in August 2010 and March 2015 respectively.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following are the senior management team of our Group:

**Mr. Wong Che Keung Andy (黃自強) (“Mr. Wong”)**, aged 53, joined WM Construction in August 1995 as a Quantity Surveyor. In June 1997, he left WM Construction temporarily, and re-joined WM Construction in March 2014 as a Contracts Manager.

Mr. Wong has over 25 years of experience in surveying works. Mr. Wong obtained a Bachelor of Science in Quantity Surveying degree from the London South Bank University in July 1994, and a Master of Science in Construction and Real Estate degree from the Hong Kong Polytechnic University in December 2007. He was elected a Professional Member of the Royal Institution of Chartered Surveyors in September 2007, and was admitted as a Member of the Australian Institute of Building in September 2007, a Member of the Chartered Institute of Building in October 2007, a Member of Hong Kong Institute of Construction Managers in December 2008. He was elected as a Member of the Hong Kong Institute of Surveyors in July 2009, and became a Registered Professional Surveyor in October 2010.

**Mr. Lee Kai Man (李啟民) (“Mr. Lee”)**, aged 45, joined WM Construction in May 2001 as a Quantity Surveyor, and was promoted to the position of a Quantity Surveyor Manager in April 2012. He obtained a Higher Diploma in Building from the City University of Hong Kong in November 1997, and has over 20 years of experience in building works. Before joining our Group in May 2001, he served with Nishimatsu Construction Co., Ltd. as an Assistant Quantity Surveyor from September 1998 to May 2000 and served with To’s Universe Construction Co., Ltd as a Quantity Surveyor from May 2000 to May 2001.



## **CORPORATE GOVERNANCE REPORT**

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the year ended 30 June 2020.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in Appendix 15 of the GEM Listing Rules.

During the year ended 30 June 2020, the Company has complied with the CG Code.

### **BOARD OF DIRECTORS**

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this annual report.

### **Corporate Governance Functions**

The Board is responsible for performing the corporate governance duties as set out in paragraph D.3.1 of the Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;
2. to review and monitor the training and continuous professional development of the Directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

## CORPORATE GOVERNANCE REPORT

### Composition of the Board

Up to the date of this annual report, the Board comprises five Directors, two executive Directors and three independent non-executive Directors (the “INEDs”). In particular, the composition of the Board is set out as follow:

### Executive Directors

Mr. Kwok Tung Keung (*Chairman*)  
Mr. Ko Chun Hay Kelvin (*Chief Executive Officer*)

### Non-Executive Directors

Mr. Woo See Shing (resigned on 31 March 2020)

### Independent Non-Executive Directors

Mr. So Chi Wai (resigned on 31 March 2020)  
Ms. Wong Shuk Fong<sup>1</sup>  
Mr. Donald William Sneddon<sup>1</sup>  
Mr. Ng Man Li<sup>1</sup> (appointed on 1 April 2020)

Note:

1. Mr. Ng Man Li, Ms. Wong Shuk Fong and Mr. Donald William Sneddon are subject to re-election in the forthcoming AGM.

In compliance with rules 5.05(1) of the GEM Listing Rules, the Board consisted of three INEDs during the year ended 30 June 2020, with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise. During the year ended 30 June 2020 and up to the date of this report, the number of INEDs represents at least one-third of the Board as required under the GEM Listing Rules. As such, there is a strong independent element in the Board to provide independent judgement.

In accordance with code provision A.4.1 of the Code, the Company has entered into a letter of appointment with each of the INEDs under which each INED is appointed for a specific term, subject to re-election. The independent non-executive Director, Mr. Donald William Sneddon has entered into a letter of appointment with the Company for a term of two years commencing from 3 April 2019. The independent non-executive Director, Ms. Wong Shuk Fong has entered into letter of appointment with the Company for a term of two years commencing from 30 March 2020. The independent non-executive Director, Mr. Ng Man Li has entered into letter of appointment with the Company for a term of two years commencing from 1 April 2020. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

Pursuant to Article 16.18 of the articles of association of the Company (the “Articles”), one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Specific enquiry has been made by the Company to each of the INEDs to confirm their independence pursuant to rule 5.09 of the GEM Listing Rules. In this connection, the Company has received positive confirmations from all of the three INEDs. Based on the confirmations received, the Company considers all the INEDs to be independent under the GEM Listing Rules.

Saved as disclosed below and in the section “Biographical Details of Directors and Senior Management” in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

## CORPORATE GOVERNANCE REPORT

### Board and General Meetings

For the year ended 30 June 2020, 7 board meetings were held. The 4th annual general meeting of the Company was held on 1 November 2019 (the "2019 AGM").

The attendance record of each Director at the Board meeting and the 2019 AGM is set out in the table below:

	Number of attendance/ number of meetings (Note)	Attendance of the 2019 AGM
<b>Executive Directors</b>		
Mr. Kwok Tung Keung	7/7	1/1
Mr. Ko Chun Hay Kelvin	7/7	1/1
<b>Non-Executive Director</b>		
Mr. Woo See Shing (resigned on 31 March 2020)	7/7	1/1
<b>Independent Non-Executive Directors</b>		
Mr. So Chi Wai (resigned on 31 March 2020)	7/7	1/1
Ms. Wong Shuk Fong	7/7	1/1
Mr. Donald William Sneddon	7/7	1/1
Mr. Ng Man Li (appointed on 1 April 2020)	1/7	0/1

Note: Attendances of the Directors during the year ended 30 June 2020 were made by reference to the number of such meeting(s) held during their respective tenures.

### RELATIONSHIPS AMONG THE MEMBERS OF THE BOARD

Mr. Kwok is the executive Directors and the controlling shareholders with the meaning ascribed thereto under the GEM Listing Rules. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

### CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 30 June 2020.



## CORPORATE GOVERNANCE REPORT

### DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Pursuant to the code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Group acknowledges the importance of continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the year ended 30 June 2020, the Company has, among other things, provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

The individual training record of each Director received during the year ended 30 June 2020 is summarised below:

	Attending training course(s) relevant to corporate governance	Reading materials relevant to corporate governance
<b>Executive Directors</b>		
Mr. Kwok Tung Keung	✓	✓
Mr. Ko Chun Hay Kelvin	✓	✓
<b>Non-Executive Director</b>		
Mr. Woo See Shing (resigned on 31 March 2020)	✓	✓
<b>Independent Non-Executive Directors</b>		
Mr. So Chi Wai (resigned on 31 March 2020)	✓	✓
Ms. Wong Shuk Fong	✓	✓
Mr. Donald William Sneddon	✓	✓
Mr. Ng Man Li (appointed on 1 April 2020)	✓	✓

### BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established. An audit committee (the "**Audit Committee**") has been established on 9 March 2016 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the Code; a remuneration committee (the "**Remuneration Committee**") has been established on 9 March 2016 with its terms of reference in compliance with paragraph B.1.2 of the Code; and a nomination committee (the "**Nomination Committee**") has been established on 9 March 2016 with its terms of reference in compliance with paragraph A.5.2 of the Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group's website ([www.wmcl.com.hk](http://www.wmcl.com.hk)) and the website of the Stock Exchange.

All committees have been provided with sufficient resources and support from the Group to discharge their duties.

## **CORPORATE GOVERNANCE REPORT**

### **AUDIT COMMITTEE**

The Audit Committee currently consists of three members, namely Ms. Wong Shuk Fong (Chairman), Mr. Ng Man Li and Mr. Donald William Sneddon, all being INEDs. Ms. Wong Shuk Fong currently serves as the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.28 of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others, the following (for the complete terms of reference, please refer to the Group's website at [www.wmcl.com.hk](http://www.wmcl.com.hk) or the website of the Stock Exchange):

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditor, and approve the remuneration and terms of engagement of the Company's external auditor;
2. to review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
3. to develop and implement policy on engaging the Company's external auditor to supply non-audit services, if any;
4. to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and quarterly report and review significant financial reporting judgments contained in them;
5. to discuss with the Company's external auditors questions and doubts arising in the audit of annual accounts;
6. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;
7. to review the Company's financial reporting, financial controls, internal control and risk management systems;
8. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;
9. to consider major investigation findings on internal control matters as delegated by the Board or on its own;
10. to review the financial and accounting policies and practices of the Group;

## CORPORATE GOVERNANCE REPORT

11. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;
12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
13. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board; and
14. to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the year ended 30 June 2020 and up to the date of this report.

The Audit Committee should meet at least four times a year. For the year ended 30 June 2020, the Audit Committee held 4 meetings.

The attendance records of the members of the Audit Committee are summarised below:

	Number of attendance/ number of meetings (Note)
Ms. Wong Shuk Fong ( <i>Chairman</i> )	4/4
Mr. So Chi Wai (resigned on 31 March 2020)	3/4
Mr. Donald William Sneddon	4/4
Mr. Ng Man Li (appointed on 1 April 2020)	1/4

Note: Attendances of the Directors during the year ended 30 June 2020 were made by reference to the number of such meeting(s) held during their respective tenures.

The following is a summary of the works performed by the Audit Committee during the Reporting Period:

- (a) reviewed the unaudited quarterly, interim and audited annual financial statements of the Group; and
- (b) reviewed the Group's financial controls, internal control and risk management systems.

There is no disagreement between the Directors and the Audit Committee regarding the selection, appointment resignation or dismissal of the external auditor. The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, internal control, effectiveness of the Group's internal audit function and financial reporting matters including the audited financial statements for the year ended 30 June 2020.

## **CORPORATE GOVERNANCE REPORT**

### **REMUNERATION COMMITTEE**

The Remuneration Committee currently consists of five members, namely Ms. Wong Shuk Fong (Chairman), Mr. Donald William Sneddon, Mr. Ng Man Li, Mr. Ko Chun Hay Kelvin and Mr. Kwok Tung Keung.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include, among other things, the following (for the complete terms of references, please refer to the Group's website at [www.wmcl.com.hk](http://www.wmcl.com.hk) or the website of the Stock Exchange):

1. to consult the chairman of the Board and/of chief executive about their remuneration proposals for other executive Directors;
2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
5. to make recommendations to the Board on the remuneration of non-executive Directors;
6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
9. to ensure that no Directors or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee should meet at least once a year. For the year ended 30 June 2020, 2 meetings of the Remuneration Committee were held and has, inter alia, reviewed the remuneration packages for individual executive Directors and senior management and making recommendations to the Board.

## CORPORATE GOVERNANCE REPORT

The attendance records of the members of the Remuneration Committee are summarised below:

	Number of attendance/ number of meetings (Note)
Ms. Wong Shuk Fong ( <i>Chairman</i> )	2/2
Mr. So Chi Wai (resigned on 31 March 2020)	2/2
Mr. Kwok Tung Keung	2/2
Mr. Donald William Sneddon	2/2
Mr. Ng Man Li (appointed on 1 April 2020)	1/2
Mr. Ko Chun Hay Kelvin	1/2

Note: Attendances of the Directors during the year ended 30 June 2020 were made by reference to the number of such meeting(s) held during their respective tenures.

The emolument payable to the Directors depends on their respective contractual terms under the service contracts or the appointment letters (as the case may be), and as recommended by the Remuneration Committee. Details of the Directors' emoluments are set out in note 12 to the consolidated financial statements.

### NOMINATION COMMITTEE

The Nomination Committee currently consists of five members, namely Mr. Ng Man Li (Chairman), Mr. Kwok Tung Keung, Mr. Ko Chun Hay Kelvin, Mr. Donald William Sneddon and Ms. Wong Shuk Fong.

With reference to the terms of reference of the Nomination Committee, the primary responsibilities of the Nomination Committee include, among other things, the following (for the complete terms of reference please refer to the Group's website at [www.wmcl.com.hk](http://www.wmcl.com.hk) or the website of the Stock Exchange):

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;
2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
3. 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;
4. to assess the independence of INEDs; and
5. to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive.

Nomination Committee should meet at least once a year. For the year ended 30 June 2020, 2 meetings of the Nomination Meeting were held and has, inter alia, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and considered the Directors to retire and re-appoint at the 2019 AGM.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

## **CORPORATE GOVERNANCE REPORT**

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. During the year, the Nomination Committee reviewed the structure, size and composition of the Board.

The attendance records of the members of the Nomination Committee are summarised below:

	<b>Number of attendance/ number of meetings</b> (Note)
Mr. Ng Man Li (appointed on 1 April 2020) ( <i>Chairman</i> )	1/2
Mr. Kwok Tung Keung	2/2
Mr. Ko Chun Hay Kelvin	1/2
Ms. Wong Shuk Fong	2/2
Mr. Donald William Sneddon	2/2

Note: Attendances of the Directors during the year ended 30 June 2020 were made by reference to the number of such meeting(s) held during their respective tenures.

### **AUDITOR'S REMUNERATION**

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 30 June 2020, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	<b>Fees paid/payable for the services rendered</b> HK\$'000
Statutory audit services	750

### **COMPANY SECRETARY**

Mr. Ko Chun Hay Kelvin was appointed as the company secretary of the Company on 26 September 2017. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

During the year ended 30 June 2020, Mr. Ko Chun Hay Kelvin has undertaken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

### **CORPORATE GOVERNANCE REPORT**

Mr. Kwok Tung Keung, an executive Director, is the compliance officer of the Group. Please refer to the section headed "Biographical details of Directors and Senior Management" for his biographical information.

## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board of Directors, the Audit Committee and the Risk Management Taskforce. The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems and reviewing their effectiveness. The Board has reviewed all material controls, including financial, operational and compliance controls.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

Risk management report and internal control reports are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors has performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board of Directors considers the Group's risk management and internal control systems are effective and adequate.

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

### Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours 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 are 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.

## **CORPORATE GOVERNANCE REPORT**

### **DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS**

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules.

The Directors are of the view that the consolidated financial statements of the Group for the year ended 30 June 2020 has been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report of this report.

### **GENERAL MEETINGS WITH SHAREHOLDERS**

The annual general meeting (the "AGM") is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc.

At the AGM, the Directors (including INEDs) are available to attend to questions raised by the shareholders. The external auditor of the Company is also invited to be present at the AGM to address the queries of the shareholders concerning the audit procedures and the auditor's report.

The AGM of the Company will be held on Tuesday, 3 November 2020, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

### **SHAREHOLDERS' RIGHTS**

#### **Convening of Extraordinary General Meeting on Requisition by Shareholders**

Pursuant to Article 12.3 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting (the "EGM"). The EGM shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.



## CORPORATE GOVERNANCE REPORT

### Procedures for Shareholders' Nomination of Directors

Pursuant to Article 16.4 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director, notice in writing by that person of his willingness to be elected and the biographical details of that person as required under Rule 17.50(2) of the GEM Listing Rules for publication by the Company shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under this Article will commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

### Procedures for Directing Shareholders' Enquiries to the Board

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar and transfer office in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report).

Should there be any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit D, 3/F, Freder Centre, 3 Mok Cheong Street, Tokwawan, Kowloon, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

### Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

### Investor Relations

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at [www.wmcl.com.hk](http://www.wmcl.com.hk) and meetings with investors and shareholders. News update of the Group's business development and operation are also available on the Company's website.

### Constitutional Documents

Save for the adoption of the amended and restated memorandum and articles of association of the Company for the purpose of the listing of the shares of the Company on the Stock Exchange, during the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

In accordance with Appendix 20 – Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) of the GEM Listing Rules issued by The Stock Exchange of Hong Kong Limited (“**HKEX**”), Super Strong Holdings Limited (the “**Company**”, “**we**”, “**our**” and “**us**”) presents this Environmental, Social and Governance (“**ESG**”) Report for the year ended 30 June 2020 (“**Reporting Period**”).

### **SCOPE OF THIS REPORT**

This report serves to provide details of the Group’s ESG policies and initiatives of its building contractor business in the Hong Kong Special Administration Region (“**Hong Kong**”), which is the sole operating segment of the Group. The version that have been used for this ESG Report is the version effective up to 30 June 2020.

### **ESG GOVERNANCE**

We commit to upholding ESG principles in our businesses and take every possible step in incorporating ESG elements into our business decisions and daily operations, thereby fostering sustainable development of the Company as well as society. In order to fulfill the social expectation of our ESG strategies, along with our operational and financial performance, we have established an ESG workforce which comprises of our senior management (the “**Management**”) to enhance our ESG governance. While the Board of Directors holds the overall responsibility for the achievement of green and sustainable development of the Group, the ESG workforce is responsible for effective implementation of our ESG strategies. We have summarized the major responsibilities of the ESG workforce as follows:

- Develop the ESG vision, missions and values of the Group
- Identify, assess and handle the ESG risks and issues
- Monitor and review the ESG management system for effective operation
- Report regularly to the Board the material ESG issues and achievements

Under our governance structure, our ESG workforce is enabled by the Board of Directors to perform its duties such as stakeholder engagement and materiality assessment at the expenses of the Group.

In addition to the environmental issues, we are also dedicated to complying with applicable laws and regulations of our operating locations. Therefore, we have established interactive and bilateral communication channels for both our internal and external stakeholders for reporting and communication of potential irregularities.

We believe an effective risk management system is of a high importance in achieving our ESG strategies, therefore our ESG workforce and the Board review regularly our risk management system in order to identify, assess and handle the material ESG risks. We design and implement internal control measures for corresponding ESG risks. Please refer to the “**RISK MANAGEMENT AND INTERNAL CONTROL**” section of our “**CORPORATE GOVERNANCE REPORT**” for details of the effectiveness of risk management and internal control systems.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### STAKEHOLDER ENGAGEMENT

We emphasise stakeholders' involvement as a major element in our ESG strategic planning and implementation process therefore we engage with our stakeholders through various channels during our daily operation. We have included our engagement methods for our stakeholders in the follows:

#	Our Stakeholders	Engagement Methods
1	Employees	<ul style="list-style-type: none"> <li>• Internal email and brochure</li> <li>• Meetings and briefings</li> <li>• Staff trainings</li> <li>• Staff activities</li> <li>• Performance appraisal</li> </ul>
2	Customers	<ul style="list-style-type: none"> <li>• Group's website</li> <li>• Customer service hotline</li> <li>• Customer service questionnaire</li> <li>• Business meetings</li> </ul>
3	Investors and Shareholders	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Annual and interim reports</li> <li>• Circulars and announcements</li> </ul>
4	Suppliers and Business Partners	<ul style="list-style-type: none"> <li>• Business meetings</li> <li>• Supplier evaluation</li> <li>• Field visit</li> </ul>
5	Government and Supervising Authorities	<ul style="list-style-type: none"> <li>• Public consultation</li> </ul>
6	Social Groups and Public	<ul style="list-style-type: none"> <li>• Charitable events</li> <li>• Email communication</li> </ul>
7	Media	<ul style="list-style-type: none"> <li>• Press conference</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### MATERIALITY ASSESSMENT

In accordance with the ESG Reporting Guide, we have conducted a materiality assessment in order to identify and assess our material ESG issues. The materiality assessment has been performed according to the following steps:

Identification of ESG issues	We engaged our stakeholders to identify the potential ESG issues of the Group.
Assessment of ESG issues	We designed and distributed questionnaires to our stakeholders for rating the ESG issues applicable to the Group.
Validation of ESG issues	We summarized the result of the questionnaires and reported the ESG issues to our management and the Board. The material ESG issues that are of importance will be presented in this ESG Report.

According to the result of our materiality assessment, we have summarized our material ESG issues as follows:

Section	ESG aspects	Area	Material ESG issues
<b>A. Working quality</b>	A1	Working condition	<ul style="list-style-type: none"> <li>• Staff Remuneration and Welfares</li> <li>• Equal Opportunities</li> <li>• Other Employment Practices</li> </ul>
	A2	Health and Safety	<ul style="list-style-type: none"> <li>• Health and Safety Measures</li> </ul>
	A3	Development and Training	<ul style="list-style-type: none"> <li>• Staff Training</li> </ul>
	A4	Labour Standards	<ul style="list-style-type: none"> <li>• Anti-Child and Forced Labour</li> </ul>
<b>B. Environment</b>	B1	Emissions	<ul style="list-style-type: none"> <li>• Air Emissions</li> <li>• Water Discharges</li> <li>• Greenhouse Gas (“GHG”) Emissions</li> <li>• Waste Disposal</li> </ul>
	B2	Use of Resources	<ul style="list-style-type: none"> <li>• Energy and Resources Conservation</li> <li>• Energy Consumption</li> <li>• Water Consumption</li> </ul>
	B3	The Environment and Natural Resources	<ul style="list-style-type: none"> <li>• Noise Management</li> </ul>
<b>C. Operating Practices</b>	C1	Supply Chain Management	<ul style="list-style-type: none"> <li>• Supplier and Subcontractor Management</li> </ul>
	C2	Product Responsibility	<ul style="list-style-type: none"> <li>• Quality Management System</li> <li>• Project Quality Control</li> </ul>
	C3	Anti-corruption	<ul style="list-style-type: none"> <li>• Data Privacy</li> <li>• Anti-fraud Policies</li> </ul>
<b>D. Community Involvement</b>	D1	Community Investment	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A) WORKING QUALITY

#### Workforce

The Group had a total number of 53 employees as 30 June 2020, representing 40 males and 13 females.

Workforce Profile	2020
<b>By gender</b>	
• Male	40
• Female	13
<b>By function</b>	
• Senior Management	13
• Operational team	28
• Back office	12
<b>By age</b>	
• Below 30	5
• 30 – 50	23
• Above 50	25

#### Working Condition

##### *Staff Remuneration and Welfares*

The Company recognises employees as valuable assets and intends to use its best effort to attract and retain suitable personnel to serve the Company. The objective of the Company's human resources management is to recognise and reward performing staff. The Company conducts annual review on salary, bonuses and promotion based on the performance of each employee.

The Company assists each employee in developing his or her career according to his or her performance and position held. In order to attract and retain high quality staff, competitive remuneration package, working hours and leaves are offered to employees with reference to market norms and individual employees' performance, qualification and experience. On top of basic salaries, bonuses may be paid with reference to the Company's performance as well as individual's performance. Other staff benefits include provision of retirement and medical benefits and sponsorship of training courses.

##### *Equal Opportunities*

We are committed to providing a non-discrimination working environment which is free of intimidation and harassment. We also firmly support equal opportunities in all aspects of employment regardless of sex, race, ethnic origin, religion, marital status or disabilities.

##### *Other Employment Practices*

The Company ensures all employment practices, including but not limited to compensation and dismissal, recruitment and promotion, working hours, rest periods and anti-discrimination are conducted in compliance with the Employment Ordinance of Hong Kong.

We emphasise the importance of compliance with local employment laws and regulations such as the Employment Ordinance, Minimum Wage Ordinance, and Employees' Compensation Ordinance. During the Reporting Period, we have not identified any material non-compliance to employment laws and regulations.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

### **Health and Safety**

#### *Health and Safety Measures*

Occupational health and safety is the top priority of our business. We are committed to providing a safe and healthy working environment for our staff, our subcontractors and the general public. To this end, we have implemented safety plan to promote occupational health and safety at construction sites and to ensure compliance with applicable laws and regulations such as the Occupational Safety and Health Ordinance of Hong Kong. Our safety plan is documented in writing and supplemented with instructions, trainings and demonstrations. We require strict implementation of and adherence to the plan. In addition, we have qualified safety officers approved by the Labour Department to monitor and implement our safety plan. We will continue to put adequate resources and effort to maintain and improve our safety management in order to mitigate relevant risks. Our safety plan sets out work safety measures to prevent common accidents which could happen at construction sites. Some details of our safety plan are set out below:

- Safety policies, objectives and records are documented, maintained and displayed in the sites and offices.
- The safety officer of a project will prepare a project safety plan at the commencement of the project. He or she will mention in the plan those operations and activities that are associated with identified hazards and will prescribe measures to control the identified risks.
- We provide internal trainings to all staff of our Company on safety to enhance their knowledge. Special safety trainings are recommended for workers engaged in hazardous tasks, where necessary.
- All people on site are required to receive site safety induction training before they commence working on site. Tool box talks, safety activities and safety trainings are given by the safety officer to workers in order to enhance their safety awareness.
- All personnel as well as the subcontractors and their workers are required to follow the general safety rules, policies and measures adopted by the Company which are posted on conspicuous notice boards. Anyone who breaches these requirements will be subject to internal disciplinary actions.
- Site inspections and visits are carried out by our safety officers bi-weekly to ensure compliance with statutory provisions by all workers including subcontractors' employees.

Furthermore, we have appointed an independent safety auditor (who was registered with the Labour Department) to conduct safety audits as required under the Safety Management Regulation. Following the market norm of the Hong Kong construction industry, as well as a term of most construction contracts between main contractors and customers, the Company, in the case of being the main contractor, takes out and maintains employees' compensation insurance and contractor's all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all its subcontractors.

During the Reporting Period, there were one (2019: five) concluded cases of minor deviations against the Construction Sites (Safety) Regulations. The deviation was mainly related to the use of safety equipment and the total amount of the fine was HK\$13,000 (2019: HK\$212,000). In order to avoid future happenings, the Company has strengthened its monitoring on safety facilities and measures at construction sites. For example, briefing sessions have been held for construction site workers about safety awareness and there have been trainings for use of toolbox. During the Reporting Period, there were no work-related fatality nor work injury occurred.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Development and Training

#### *Staff Training*

We believe that our employees are important assets to our Company. New employees are required to receive trainings to familiarize themselves with the applicable rules and regulations and their job duties before they start work.

We also emphasise on the continuing education and quality training of our staff to enhance their work performance. Our employees also receive in-house training on a regular basis to enhance their knowledge on industry quality standards, safety standards, site management and operation of tools. We consider that our training programme is not only used as a platform to upgrade the skills of our employees regularly, but also used to encourage greater cohesion within our Company. These measures increase overall efficiency and loyalty of our employees to the Company, and also serve as a means of retaining talents.

### Labour Standards

#### *Anti-Child and Forced Labour*

We strictly comply with local statutory requirements and prohibit child and forced labour. The Human Resources ("HR") department is required to verify every job applicant's identification documents to ensure eligibility. Employment contracts are signed by both parties to ensure mutual agreement on the terms of employment.

Furthermore, the Company has included terms in the agreements with subcontractors that their HR policies and procedures have to comply with the local labour laws and regulations (e.g. Hong Kong Employment Ordinance).

The Company has performed regular inspections on its subsidiaries, local offices and subcontractors to ensure there is no non-compliance of relevant laws and regulations.

We have implemented corresponding control measures to prevent from violation of child and forced labour-related laws and regulations such as the Employment Ordinance. During the Reporting Period, we have not identified any material non-compliance of child and forced labour-related laws and regulations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B) ENVIRONMENTAL

#### Emissions

The Company is committed to minimising any adverse impacts on the environment resulting from our business activities in order to fulfil our responsibilities to the community, our environmentally conscious customers as well as the local and global environment.

We require our subcontractors to comply with our environmental management plan. Our staff are encouraged to contribute towards the Company's sustainability by suggesting and adopting environmentally friendly construction methods and planning their works to reduce emissions efficiently and to the maximum extent to achieve long-term cost savings.

The Company's operations at construction sites are subject to certain environmental requirements pursuant to the laws and regulations of Hong Kong, including but not limited to the Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance, Noise Control Ordinance, Ozone Layer Protection Ordinance, Dumping at Sea Ordinance, Environmental Impact Assessment Ordinance, Hazardous Chemicals Control Ordinance, Product Eco-responsibility Ordinance, and Motor Vehicle Idling (Fixed Penalty) Ordinance. During the Reporting Period, we have not identified any material non-compliance of environment-related laws and regulations.

The Company has established various key policies governing environmental protection that are required to be followed by our employees and subcontractors in order to minimize emissions.

#### *Air Emissions*

The Company has maintained vehicles for its operations. During the Reporting Period, the emission generated from our vehicles was as follows:

Type of emissions <sup>1</sup>	Unit	2020 Amount	2019 Amount
Nitrogen oxides (" <b>NOx</b> ")	kg	<b>8.52</b>	7.10
Sulphur oxides (" <b>SOx</b> ")	kg	<b>0.04</b>	0.05
Particulate Matter (" <b>PM</b> ")	kg	<b>0.63</b>	0.52

Compared to 2019, the emission of our vehicles increased because of the increase in total fuel consumption and total distance travelled.

The major air pollutant generated from construction work is dust. The Company has implemented certain methods of construction and carried out the construction works in such a manner to minimise the impact of dust on the surrounding environment. The Company continuously sprays water onto dusty materials and the ground, while unused materials are covered to avoid the spread of dust. Meanwhile, project personnel are provided with suitable training to ensure that these methods are implemented. The Company has effectively monitored and controlled the dust at an acceptable level.

#### *Water Discharges*

In order to effectively manage water discharge, prior to commencement of construction works, project managers identify wastewater discharge points in advance and then install adequate discharge pipeline and sedimentation tanks for discharging sewage properly. Wastewater or polluted water has been discharged under a lawful and appropriate manner.

<sup>1</sup> The calculation of emissions is based on Reporting Guidance on Environmental Key Performance Indicators published by Stock Exchange of Hong Kong Limited ("**HKEX**").



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Greenhouse Gas ("GHG") Emissions<sup>2</sup>

Our carbon emissions during the Reporting Period are summarized as below:

Source	Unit	2020 Amount	2019 Amount
Direct emissions	Tonnes CO <sub>2</sub> e	<b>36</b>	36
Energy indirect emissions	Tonnes CO <sub>2</sub> e	<b>31</b>	38
Other indirect emissions	Tonnes CO <sub>2</sub> e	<b>13</b>	15
<b>Total gross GHG emission</b>	Tonnes CO <sub>2</sub> e	<b>80</b>	89
<b>GHG emissions intensity (per staff of the Group)</b>	Tonnes CO <sub>2</sub> e	<b>1.51</b>	1.44
<b>GHG emissions reduction</b>	Tonnes CO <sub>2</sub> e	<b>(17)</b>	(14)

During the Reporting Period, the Company has recycled 3.5 (2019: 3.0) tonnes of paper, which accounts for reduction of 16.8 (2019: 14.4) tonnes of carbon dioxide equivalent ("CO<sub>2</sub>e") GHG.

Compared to 2019, we have produced a lower amount of gross GHG emission which is attributed to less electricity purchased, a lower amount of paper consumed and decreased total distance travelled by our employees in business trips.

### Waste Disposal<sup>3</sup>

During the Reporting Period, we did not produce significant amount of hazardous waste while non-hazardous waste was mainly construction waste including wood, bamboo, water pipes, bricks and stones. The non-hazardous waste produced in the Reporting Period was as follows:

Type	Unit	2020 Amount	Intensity (per staff of the Group)	2019 Amount	Intensity (per staff of the Group)
Construction waste	Tonnes	<b>4,073</b>	<b>76.85</b>	4,988	80.45

With regard to an unexpected market condition leading to lower business demand, as well as our successful waste handling measures, we have reduced our construction waste by more than 18% in 2020.

The Company promotes waste recycling by putting adequate facilities in place to collect and segregate wastes. Chemical wastes are collected and disposed by contractors authorized by the Environmental Protection Department. On the other hand, construction wastes are regularly discharged offsite to recycling companies or lawful landfill in order to avoid excessive accumulation which causes nuisance to the neighbourhood. Recycling bins are placed in the working places for the classification of other wastes. The Company has acquired more environmentally-friendly materials for its operations in order to reduce the amount of hazardous waste.

<sup>2</sup> The calculation of GHG emissions is based on Reporting Guidance on Environmental Key Performance Indicators published by HKEX, International Civil Aviation Organization's Carbon Emissions Calculator, CLP Power Hong Kong Limited's Sustainability Report, Drainage Services Department's Sustainability Report and Water Supplies Department's Annual Report.

<sup>3</sup> The Company does not consume packaging materials during its operations. Therefore, the data on total amount of packaging materials does not apply to the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Use of Resources

#### *Energy and Resources Conservation*

The Company is dedicated to executing a set of resources conservation policies in order to maintain sustainability and achieve green commercial practices. The Company ensures all of its business activities and operations are in line with the principle of resources conservation, and in compliance with all environmental protection related policies and procedures. We require our subcontractors to uphold the same principle.

Regarding construction projects, the Company has utilized construction methodology and equipment which can help perform construction works in an environmentally friendly manner. As for subcontractors' works, we include construction methods and equipment adopted by the subcontractors into the assessment criteria of the subcontractor selection process. Subcontractors with green construction methods and equipment are relatively more preferable. The same assessment concept is also adopted to raw materials supplier selection such that suppliers with green materials are relatively more preferable.

On the other hand, the Company has implemented green management systems to improve the efficiency of consuming energy and resources, and to raise staff's awareness in energy and resources conservation. The Company has monitored energy and resources usage monthly through management reports, and evaluated the effectiveness of environmentally friendly practices to identify any improvement area.

#### *Energy Consumption*

Purchased electricity and petrol are the sources of energy for our operations. During the Reporting Period, the amount of energy directly managed and consumed by us was as follows:

Type	Unit	Amount	2020 Intensity (per staff of the Group)	Amount	2019 Intensity (per staff of the Group)
<b>Direct Energy</b>	N/A	–	–	–	–
<b>Indirect Energy</b>					
Electricity	kWh	<b>60,772</b>	<b>1,146.64</b>	73,607	1,187.21
Petrol	Litre	<b>3,002</b>	<b>56.64</b>	3,207	51.73

Compared to 2019, we have consumed less electricity but more petrol in 2020 because of the unexpected market downwards as well as the increased business development activities.

#### *Water Consumption*

Our water resources are all acquired from the Water Supplies Department of the Government of Hong Kong. During the Reporting Period, the amount of water consumption directly managed and consumed by us was as follows:

Type	Unit	Amount	2020 Intensity (per staff of the Group)	Amount	2019 Intensity (per staff of the Group)
Water	m <sup>3</sup>	<b>577</b>	<b>10.89</b>	758	12.23

Compared to 2019, we have more strict measures in consumption of water in our office and construction sites to avoid wastage. Therefore our water consumption amount decreased by more than 23% in 2020.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, we did not encounter any issue in sourcing water for our operations.

In order to foster an environmentally-friendly working place and reduce unnecessary energy and water consumption, we have adopted the following measures:

- Maintaining an optimal indoor temperature;
- Prioritizing the acquisition of energy-efficient appliances;
- Encouraging the employees to turn off the computers, monitors and other electronic appliances when not in use;
- Optimizing the project plans continuously to enhance operation efficiency; and
- Conducting training for staff about the careful use of water resources.

### The Environment and Natural Resources

Understanding the fact that our businesses, in particular construction projects, inevitably create certain environmental impacts, we have established an integrated management system for managing environmental and occupational health and safety areas which has been certified for ISO 14001:2004 and OHSAS 18001:2007.

#### *Noise Management*

During the course of carrying out construction works, noise and vibration are generated through the use of our machinery. We strive to minimise disturbance to residents in the vicinity of our construction sites. The following are some of the environmental protection measures adopted:

- the project manager monitors all site operations which have significant environmental impact and ensures compliance with applicable environmental laws and regulations;
- we provide education and training to our employees, subcontractors and workers on the performance of works in an environmentally friendly manner; and
- we collect feedback and suggestions from the customers and subcontractors for improvements on our environmental management system.

Noise control is regulated under the Noise Control Ordinance of Hong Kong. In light of that, the Company strives to minimize the impact of noise from its construction sites on the neighbourhoods. Project personnel have to ensure that regular maintenance is carried out for plants in order to maintain smooth operations. In addition, equipment of lower noise level is chosen for our projects to reduce noise at source. Project personnel are also required to execute measures whenever possible to further reduce noise from construction sites.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

### **C) OPERATING PRACTICES**

#### **Supply Chain Management**

##### *Supplier and Subcontractor Management*

The Company purchases construction materials and other miscellaneous goods for the construction sites from suppliers; and engages subcontractors to perform the construction works on its behalf. Knowing the importance of supply chain management as an integral part of our quality control, the Company has implemented strict control measures on this area.

The Company maintains a list of approved subcontractors and suppliers for each category of building works and materials. The list is updated on a continuous basis. When engaging a subcontractor for any project, the subcontractor should be selected from the approved list and the selection criteria are relevant skill sets and experience, availability and fee quotations. With regard to construction materials, unless our customers require us to order from designated suppliers, we generally procure materials from the list of our internally approved suppliers which we have satisfactory past business relationship with in terms of consistency of quality. The Company will also engage independent experts to perform quality test on sample materials.

The Company generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or assigning subcontractors before.

During the Reporting Period, there were 10 supplies and all them were located in Hong Kong.

#### **Product Responsibility**

Our Directors believe that the financial results and profits of the Company depend on its ability to meet our customers' requirements. We place strong emphasis on quality control as it would assure completing works to meet or exceed our customers' requirements, and it is also crucial for building safety, job reference and future business opportunities.

##### *Quality Management System*

We have established formal quality management system in accordance with the requirements of ISO 9001:2008 standards, by which we develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term and project based approach. The quality management system of WM Construction (a principal operating subsidiary of the Company), which is applicable to construction of buildings, demolition of buildings with demolition design, construction of civil engineering works (site formation) and design and construction of foundation, was certified to comply with ISO 9001:2000 quality management system standard issued by the Hong Kong Quality Assurance Agency in April 2003, and was subsequently certified to comply with ISO 9001:2008 quality management system standard issued by Castco Certification Services Limited in April 2010. The validity of such ISO 9001:2008 certification is subject to the continuing satisfactory operation of our management system and surveillance audits.

##### *Project Quality Control*

Our project management team comprising our project manager and site agent is responsible for the quality control of each project. To ensure our works meet the required standards, we normally assign a site agent at each construction site. Such site agent is responsible for monitoring the quality of works carried out by our subcontractors. Our project managers are responsible for monitoring progress and quality of works and ensuring that the works are completed on time. Furthermore, our project management team communicates frequently with and reports to our Executive Directors. Our Executive Directors closely monitor the progress of each project to ensure that the works (i) meet our customers' requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant laws and regulations applicable to the works.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Data Privacy*

The Company emphasises 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 Company strictly follows the data protection laws and regulations of Hong Kong.

Regarding our supply of services and personal data protection areas, we strongly adhere to the applicable laws and regulations such as Supply of Services (Implied Terms) Ordinance and Personal Data (Privacy) Ordinance. During the Reporting Period, we have not identified any material non-compliance of products and services-related laws and regulations.

### **Anti-corruption**

#### *Anti-fraud Policies*

The Company believes that honesty, integrity and fairness are of vital importance to its business operations. All employees are also required to comply with the Company's code of conduct. Other than the internal anti-bribery and corruption guidelines as stipulated in the Company's code of conduct, the Company has also established whistle-blowing policy which is made publicly available to third party stakeholders in reporting any irregularities or misbehaviour.

The Company has implemented appropriate and effective internal controls at different business processes to prevent and detect fraudulent activities.

We are aware of the compliance with the local laws and regulations such as the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong. During the Reporting Period, we have not identified any material non-compliance of corruption and anti-money laundering-related laws and regulations.

## **D) COMMUNITY INVOLVEMENT**

### **Community Investment**

#### *Corporate Social Responsibility*

With the commitment to being a socially responsible corporation, we are dedicated to develop and implement sustainably good corporate policies in areas including environmental protection, staff management and development as well as occupational health and safety.

In addition, we demonstrate our care to the underprivileged through the participation in the Twinkle Stars Plan which aims at providing financial support to the needed students for their tertiary education. Two of our Executive Directors, Mr. Kwok Tung Keung and Mr. Ko Chun Hay Kelvin, joined a trip organized by Twinkle Stars to visit the needed students in Nanning, Guangxi.

The Company donated approximately HK\$1,036,000 (2019: HK\$1,375,600) to the organization during the Reporting Period.

## **REPORT OF THE DIRECTORS**

The Directors hereby present their report and the audited consolidated financial statements for the year ended 30 June 2020.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Group is principally engaged in the provision of general building works, specialised building works and property development in Hong Kong. The principal activity of the Company is investment holding. The names and principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 30 June 2020.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"), including a discussion of the principal risks and uncertainties facing the Group, environmental policies of the Group, compliance with laws and regulations by the Group, its relationship with customers, suppliers, subcontractors and employees and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 8 of this annual report. This discussion forms part of this directors' report.

### **SEGMENT INFORMATION**

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.

### **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 47 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 30 June 2020 (30 June 2019: HK2.5 cents per share).

### **DIVIDEND POLICY**

The Company has a dividend policy pursuant to which the Company may declare and distribute dividends to the shareholders of the Company, provided that the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

### **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group is set out on page 96 of this annual report.

### **PLANT AND EQUIPMENT**

Details of the movements during the year ended 30 June 2020 in the plant and equipment of the Group are set out in note 15 to the consolidated financial statements of this annual report.

## REPORT OF THE DIRECTORS

### CHARITABLE DONATION

Charitable and other donations made by the Group during the year ended 30 June 2020 amounted to approximately HK\$2.0 million (30 June 2019: approximately HK\$1.4 million).

### SHARE CAPITAL

Details of the movements during the year ended 30 June 2020 in the share capital of the Company are set out in note 27 to the consolidated financial statements of this annual report.

### DISTRIBUTABLE RESERVES OF THE COMPANY

As at 30 June 2020, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK\$60.0 million.

### SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 9 March 2016 (the "Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Particulars of the Scheme are set out in note 34 to the consolidated financial statements of this annual report.

### DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, the underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or 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 Director	Nature of interest	Number of the Shares held/ interested in	Number of share options	Cancelled/ lapsed during the period	Percentage of shareholding (approximately)
Mr. Kwok Tung Keung ("Mr. Kwok")	Interest in controlled corporation (Note 1)	250,000,000	-	-	31.25%
	Beneficial owner	-	13,000,000	-	1.63%
Mr. Ko Chun Hay Kelvin	Beneficial Owner	189,500,000	-	-	23.69%
	Beneficial Owner	-	13,000,000	-	1.63%

Note:

- Mr. Kwok beneficially owns 100% of the issued share capital of Best Brain Investments Limited ("Best Brain"). By virtue of the SFO, Mr. Kwok is deemed to be interested in the same number of the Shares held by Best Brain.

## REPORT OF THE DIRECTORS

(ii) *Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Nature of interest	Number of shares held/ interested in	Percentage of shareholding
Mr. Kwok	Best Brain	Beneficial owner	7,500	100%
Mr. Lee	Neo Paramount	Beneficial owner	50,000	100%

Save as disclosed above, as at 30 June 2020, none of the Directors nor chief executive of the Company has registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

### B. Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures

So far as the Directors are aware, as at 30 June 2020, the following persons (other than the Directors or chief executive of the Company) or companies were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests 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 and the GEM Listing Rules:

Name of shareholder	Nature of interest	Number of the Shares held/ interested in	Long/short position	Percentage of total issued share capital of the Company
Best Brain	Beneficial owner	250,000,000	Long	31.25%
Neo Paramount	Beneficial owner	160,000,000	Long	20.00%

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.



## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS

During the year ended 30 June 2020, the Group's five largest customers accounted for approximately 84.4% (30 June 2019: approximately 87.8%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 34.6% (30 June 2019: approximately 38.5%) of the total revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

### MAJOR SUPPLIERS AND SUBCONTRACTORS

During the year ended 30 June 2020, the Group's five largest suppliers and subcontractors accounted for approximately 32.4% (30 June 2019: approximately 22.2%) of the total direct costs of the Group and the largest subcontractor of the Group accounted for approximately 9.8% (30 June 2019: approximately 7.5%) of the total direct costs.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and subcontractors.

### DIRECTORS

The Directors during the year ended 30 June 2020 and up to the date of this annual report were:

#### Executive Directors

Mr. Kwok Tung Keung (*Chairman*)

Mr. Ko Chun Hay Kelvin (*Chief Executive Officer*)

#### Non-Executive Director

Mr. Woo See Shing (resigned on 31 March 2020)

#### Independent Non-Executive Directors

Mr. So Chi Wai (resigned on 31 March 2020)

Ms. Wong Shuk Fong<sup>1</sup>

Mr. Donald William Sneddon<sup>1</sup>

Mr. Ng Man Li<sup>1</sup> (appointed on 1 April 2020)

Note:

1. Mr. Ng Man Li, Ms. Wong Shuk Fong and Mr. Donald William Sneddon are subject to re-election in the forthcoming AGM.

Information regarding directors' emoluments is set out in note 12(a) to the consolidated financial statements of this annual report.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs.

## **REPORT OF THE DIRECTORS**

### **BIOGRAPHICAL DETAILS OF DIRECTORS**

Brief biographical details of the Directors are set out on pages from 9 to 11 of this annual report.

### **DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a service agreement with the Company for a term of three years and each of these service contracts is subject to termination by not less than three months written notice. Non-executive Director and Independent non-executive Directors are appointed for a term of two years subject to termination in certain circumstance as stipulated on appointment letter.

Save as disclosed above, none of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

### **DIRECTORS' RETIREMENT AND RE-ELECTION**

Pursuant to Article 16.18 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation every year shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Pursuant to Article 16.2 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

### **MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS**

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 30 June 2020.

### **CONTROLLING SHAREHOLDERS' INTEREST**

There were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

### **EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12, respectively, to the consolidated financial statements of this annual report.

## REPORT OF THE DIRECTORS

### EMOLUMENT POLICY

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors and senior management with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Share Option Scheme.

### COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 30 June 2020.

### DEED OF NON-COMPETITION

The deed of non-competition dated 9 March 2016 has been entered into by Mr. Kwok and Best Brain, the controlling shareholders of the Company within the meaning of the GEM Listing Rules (collectively the “**Controlling Shareholders**”) in favour of the Company regarding certain non-competition undertakings given by the Controlling Shareholders in favour of the Company. The details of the deed of non-competition have been disclosed in the section headed “Relationship with the Controlling Shareholders” of the Prospectus.

The Company has received an annual declaration from each of the Controlling Shareholders confirming that he/she/it has complied with the non-competition undertakings provided to the Company under the said deed of non-competition during the reporting period. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied for the year ended 30 June 2020.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

### RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 32 to the consolidated financial statements of this annual report. None of these transactions constitute a discloseable connected transaction or continuing connected transaction as defined under Chapter 20 of the GEM Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company’s issued share capital were held by the public as at the date of this report.

### AUDITOR

The consolidated financial statements for the year ended 30 June 2020 have been audited by ZHONGHUI ANDA CPA Limited (“**ZHONGHUI**”). ZHONGHUI shall retire in the forthcoming AGM and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of ZHONGHUI as auditor of the Company will be proposed at the forthcoming AGM. The Company has not changed its external auditor during the year ended 30 June 2020 and up to the date of this annual report.

## **REPORT OF THE DIRECTORS**

### **CORPORATE GOVERNANCE**

Details of the corporate governance of the Company are set out in the section headed “Corporate Governance Report” of this report on pages 12 to 23.

### **PRE-EMPTIVE RIGHTS**

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

### **PERMITTED INDEMNITY PROVISIONS**

Pursuant to the memorandum and article of association of the Company, the Directors and other officers, for the time being acting in relation to the affairs of the Company, shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by his/her as a director, or other officer of the Company in defending any proceedings, whether civil or criminal in which judgement is given in his favour, or in which he is acquitted. Such permitted indemnity provision is currently in force and was in force throughout the financial year.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 30 June 2020.

### **EVENT AFTER THE REPORTING PERIOD**

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 30 June 2020 and up to the date of this report.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 29 October 2020 to Tuesday, 3 November 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 28 October 2020.

On behalf of the Board  
**Super Strong Holdings Limited**  
**Ko Chun Hay Kelvin**  
*Chief Executive Officer*

Hong Kong, 23 September 2020

## INDEPENDENT AUDITOR'S REPORT



### TO THE SHAREHOLDERS OF SUPER STRONG HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

#### OPINION

We have audited the consolidated financial statements of Super Strong Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as “**the Group**”) set out on pages 47 to 96, 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, consolidated statement of changes in equity and 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 Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### KEY AUDIT MATTER

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.

#### Revenue and profit recognition of construction service and contract assets

Refer to Note 6 and Note 20 to the consolidated financial statements.

The Group’s carrying value of the contract assets balances as well as the revenue and profit recognised are based on estimates of costs to complete. These estimates are significant to our audit because the contract assets of HK\$35,456,000 as at 30 June 2020 and the construction services revenue of HK\$217,287,000 for the year then ended are material to the consolidated financial statements. In addition, the Group’s estimates involve application of judgement and can be affected by a variety of uncertainties that depend on the outcome of future events resulting in revisions throughout the contract period.

## **INDEPENDENT AUDITOR'S REPORT**

### **KEY AUDIT MATTER (CONTINUED)**

#### **Revenue and profit recognition of construction service and contract assets (continued)**

Our audit procedures included, among others:

- Evaluating the Group's estimation process;
- Agreeing contract sums and budgeted costs to signed contracts and approved budgets;
- Challenging the reasonableness of key judgements and assumptions inherent in the approved budgets;
- Assessing the reliability of the approved budgets by comparing the actual outcome against estimates; and
- Checking arithmetical accuracy of the related calculations.

We consider that the Group's estimates of the contract assets balance as well as the revenue and profit recognised are supported by the available evidence.

#### **Trade receivables and contract assets**

Refer to Note 19 and Note 20 to the consolidated financial statements.

The Group tested the amounts of trade receivables and contract assets for impairment. This impairment test is significant to our audit because the balances of trade receivables and contract assets of HK\$4,795,000 and HK\$35,456,000 respectively, as at 30 June 2020 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the trade receivables;
- Assessing creditworthiness of the customers;
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements; and
- Testing subsequent contract work certification and settlement of contract assets and receivables respectively after the balance sheet date on a sample basis.

We consider that the Group's impairment test for trade receivables and contract assets is supported by the available evidence.

## **INDEPENDENT AUDITOR'S REPORT**

### **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises all the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

## **INDEPENDENT AUDITOR'S REPORT**

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

#### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Yeung Hong Chun**

*Audit Engagement Director*

Practising Certificate Number P07374

Hong Kong, 23 September 2020



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	6	217,287	507,796
Direct costs		(196,212)	(455,991)
<b>Gross profit</b>		<b>21,075</b>	51,805
Interest revenue	7	965	380
Other incomes, gains and losses	8	5,267	2,309
Administrative expenses		(24,586)	(33,935)
<b>Profit from operation</b>		<b>2,721</b>	20,559
Finance costs	9	(244)	(353)
Loss on disposal of subsidiaries		–	(197)
<b>Profit before tax</b>		<b>2,477</b>	20,009
Income tax expenses	10	(443)	(4,006)
<b>Profit and total comprehensive income for the year</b>	11	<b>2,034</b>	16,003
<b>Profit and total comprehensive income/(expense) for the year attributable to:</b>			
Owners of the Company		2,363	16,120
Non-controlling interests		(329)	(117)
		<b>2,034</b>	16,003
<b>Earnings per share</b>	14		
Basic (HK cents)		<b>0.30</b>	2.02
Diluted (HK cents)		<b>0.30</b>	2.01

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Plant and equipment	15	1,117	1,739
Right-of-use assets	16	2,650	–
Deferred tax assets	17	103	170
Deposits and prepayments	18	12,206	12,094
		<b>16,076</b>	14,003
<b>Current assets</b>			
Trade receivables	19	4,795	45,680
Other receivables, deposits and prepayments	18	33,443	1,034
Contract assets	20	35,456	51,916
Land for sale under development	21	5,136	–
Pledged bank balances	22	15,859	64,543
Bank balances and cash	22	131,444	93,097
		<b>226,133</b>	256,270
<b>Current liabilities</b>			
Trade payables	23	5,326	22,563
Other payables, retention payables and accrued charges	24	59,023	71,997
Contract liabilities	20	5,480	1,935
Tax payable		5,117	4,599
Bank borrowings	25	5,000	5,000
Lease liabilities	26	1,698	–
		<b>81,644</b>	106,094
<b>Net current assets</b>		<b>144,489</b>	150,176
<b>Total assets less current liabilities</b>		<b>160,565</b>	164,179
<b>Non-current liabilities</b>			
Lease liabilities	26	979	–
<b>Net assets</b>		<b>159,586</b>	164,179
<b>Capital and reserves</b>			
Share capital	27	8,000	8,000
Reserves	28	143,511	156,179
Equity attributable to owners of the Company		<b>151,511</b>	164,179
Non-controlling interests		<b>8,075</b>	–
<b>Total equity</b>		<b>159,586</b>	164,179

The consolidated financial statements on pages 47 to 96 were approved and authorised for issue by Board of Directors on 23 September 2020 and are signed on behalf of by:

**Kwok Tung Keung**  
Director

**Ko Chun Hay Kelvin**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Attributable to owners of the Company							
	Share capital	Share premium	Capital contribution	Share options reserve	Retained profits	Subtotal	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2018	8,000	40,903	11,572	3,649	102,392	166,516	5,414	171,930
Profit and total comprehensive income/(expense) for the year	-	-	-	-	16,120	16,120	(117)	16,003
Recognition of equity-settled share-based payments	-	-	-	1,543	-	1,543	-	1,543
Share options forfeited	-	-	-	(1,408)	1,408	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	(5,297)	(5,297)
Final dividend paid	-	-	-	-	(20,000)	(20,000)	-	(20,000)
At 30 June 2019	8,000	40,903	11,572	3,784	99,920	164,179	-	164,179
At 1 July 2019	<b>8,000</b>	<b>40,903</b>	<b>11,572</b>	<b>3,784</b>	<b>99,920</b>	<b>164,179</b>	-	<b>164,179</b>
Profit and total comprehensive income/(expense) for the year	-	-	-	-	2,363	2,363	(329)	2,034
Recognition of equity-settled share-based payments	-	-	-	1,369	-	1,369	-	1,369
Share options forfeited	-	-	-	(168)	168	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	4	4
Contribution by non-controlling interests	-	-	-	-	3,600	3,600	8,400	12,000
Final dividend paid	-	-	-	-	(20,000)	(20,000)	-	(20,000)
At 30 June 2020	<b>8,000</b>	<b>40,903</b>	<b>11,572</b>	<b>4,985</b>	<b>86,051</b>	<b>151,511</b>	<b>8,075</b>	<b>159,586</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	2,477	20,009
Adjustment for:		
Amortisation of other intangible assets	–	373
Depreciation of plant and equipment	622	379
Depreciation of right-of-use assets	958	–
Equity-settled share option expense	1,369	1,543
Finance costs	244	353
Gain on disposal of plant and equipment	(1)	–
Interest income	(965)	(380)
Loss on disposal of subsidiaries	–	197
Reversal of allowance for bad and doubtful debts	(4,406)	(1,662)
Operating profit before working capital changes	298	20,812
Change in trade receivables	45,291	(23,073)
Change in other receivables, deposits and prepayments	(7,852)	(442)
Change in contract assets	16,460	14,583
Change in land for sale under development	(2,637)	–
Change in trade payables	(17,237)	5,058
Change in other payables, retention payables and accrued charges	(12,974)	(875)
Change in contract liabilities	3,545	(360)
Cash generated from operations	24,894	15,703
Income taxes refund/(paid)	280	(226)
<b>Net cash generated from operating activities</b>	<b>25,174</b>	<b>15,477</b>
<b>Cash flows from investing activities</b>		
Interest received	663	68
Purchase of plant and equipment	–	(1,579)
Withdrawal of pledged bank balances	258,978	333,602
Placement of pledged bank balances	(210,294)	(336,085)
Proceeds from disposal of plant and equipment	1	–
Net cash inflow on disposal of a subsidiary	–	12,754
Increase in loan to staffs	(15,000)	–
<b>Net cash generated from investing activities</b>	<b>34,348</b>	<b>8,760</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from financing activities</b>		
Interest paid	(244)	(353)
Repayment of bank borrowings	–	(360)
Repayment of lease liabilities	(931)	–
Dividends paid to owners of the Company	(20,000)	(20,000)
<b>Net cash used in financing activities</b>	<b>(21,175)</b>	<b>(20,713)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>38,347</b>	<b>3,524</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>93,097</b>	<b>89,573</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>131,444</b>	<b>93,097</b>
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	131,444	93,097

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 1. GENERAL INFORMATION

Super Strong Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 22 September 2015 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”) on 30 March 2016. The registered office of the Company is located at PO Box 309, Uglan House, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is located at Unit D, 3/F., Freder Centre, 3 Mok Chong Street, Tokwawan, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the provision of property construction services and sales of lands in Hong Kong.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 July 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

The Group has adopted HKFRS 16 “Leases” from its mandatory adoption date of 1 July 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2019 reporting period. Right of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the consolidated statement of financial position on 1 July 2019.

#### Adjustments recognised on adoption of HKFRS 16 “Leases”

	HK\$'000
Operating lease commitments disclosed at 30 June 2019:	2,277
Discounted using the lessee’s incremental borrowing rate 5.1% at the date of initial application	2,227
Less: short-term leases recognised on a straight-line basis as expense	(1,095)
Lease liabilities recognised at 1 July 2019	1,132
Of which are:	
Current lease liabilities	652
Non-current lease liabilities	480
	1,132

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

#### Adjustments recognised on adoption of HKFRS 16 "Leases" (continued)

The recognised right-of-use assets relate to the following types of assets:

	1 July 2019 HK\$'000
Land and buildings	1,132

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 July 2019.

The change in accounting policy increased right-of-use assets and lease liabilities by HK\$1,132,000 on 1 July 2019.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

### 3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### **Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investment at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Business combination and goodwill (continued)**

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

#### **Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Machinery	25% – 30%
Leasehold improvements	Over the lease terms or useful lives of 4 years
Office equipment	20% – 25%
Furniture and fixtures	20% – 25%
Motor vehicles	25%

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

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Leases

*The Group as lessee*

Policy applicable from 1 July 2019

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

- Land and buildings 1-2 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$ 5,000.

Policy applicable before 1 July 2019

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

#### Land for sale under development

Land for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, construction costs and other direct costs attributable to such land. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

#### **Financial assets**

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

#### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

#### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

#### Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Derivative financial instruments**

Derivatives are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

#### **Equity instruments**

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

#### **Revenue from contracts with customers**

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

#### **Other revenue**

Interest income is recognised using the effective interest method.

#### **Employee benefits**

##### *(a) Employee leave entitlements*

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Employee benefits (continued)

##### (b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

##### (c) Termination benefits

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

#### Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Government grants**

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become 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.

#### **Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

#### Related parties

A related party is a person or entity that is related to the Group.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

#### **Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

### **4. KEY ESTIMATES**

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 4. KEY ESTIMATES (CONTINUED)

#### Key sources of estimation uncertainty (continued)

##### (a) Revenue and profit recognition

The Group estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

##### (b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables and contract assets, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and loan receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

### 5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. However, at 30 June 2020, the payment for a life insurance policy of HK\$9,271,000 (2019: HK\$9,158,000) is denominated in United States Dollar ("US\$") and a bank saving account of HK\$19,035,000 (2019: HK\$19,819,000) is denominated in British Pound ("GBP"), the currency other than the functional currency of the relevant group entity. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As HK\$ is pegged to US\$, the directors of the Company consider that the currency risk of US\$ is insignificant. Accordingly, no sensitivity analysis for US\$ is presented.

At 30 June 2020, if the Hong Kong dollar had strengthened five per cent against the GBP with all other variables held constant, consolidated profit after tax for the year would have been HK\$795,000 (2019: HK\$827,000) lower, arising mainly as a result of the foreign exchange loss on bank balance denominated in GBP. If the Hong Kong dollar had weakened five per cent against the GBP with all other variables held constant, consolidated profit after tax for the year would have been HK\$795,000 (2019: HK\$827,000) higher, arising mainly as a result of the foreign exchange gain on bank balance denominated in GBP.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

### **5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **(b) Credit risk**

The carrying amount of the bank balance and cash, pledged bank balances, trade and other receivables, and contract assets included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk.

It has policies in place to ensure that sales and loans are made to customers with an appropriate credit history.

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk (continued)

The Group uses two categories for non-trade loan receivables which reflect their risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses
HK\$'000		

#### At 30 June 2020

Loan to staffs	15,000
Provision for loss allowance	–
Carrying amount	15,000

All of these loans are considered to have low risk and under the “Performing” category because they have a low risk of default and have strong ability to meet their obligations.

#### Expected credit loss rate

2020 0%

Loss allowance at 1 July 2018, 30 June 2019 and 30 June 2020	–
HK\$'000	

#### (c) Liquidity risk

The Group’s policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group’s financial liabilities is as follows:

	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Total HK\$'000
<b>At 30 June 2020</b>			
Trade payables	–	5,326	5,326
Other payables, retention payables and accrued charges	–	58,454	58,454
Bank borrowings	5,000	–	5,000
	5,000	63,780	68,780

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (continued)

	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Total HK\$'000
<b>At 30 June 2019</b>			
Trade payables	–	22,563	22,563
Other payables, retention payables and accrued charges	–	70,997	70,997
Bank borrowings	5,000	–	5,000
	5,000	93,560	98,560

#### (d) Interest rate risk

The Group's exposure to interest-rate risk arises from its payment for a life insurance policy, pledged bank balance, bank balances and cash and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

The Group's loan to staffs bear interest at fixed interest rates and therefore are subject to fair value interest rate risks.

No sensitivity analysis is presented as the directors of the Company consider that the interest rate fluctuation on interest income or expense charged on payment for a life insurance policy, pledged bank balances, bank balances and cash and bank borrowings is insignificant.

#### (e) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	180,812	216,448
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	69,349	99,560

#### (f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from construction and building management services. An analysis of the Group's revenue is as follow:

	2020 HK\$'000	2019 HK\$'000
Construction services	217,287	436,947
Building management services	–	70,849
Revenue from contracts with customers	217,287	507,796

#### Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group, which are prepared based on the same accounting policies set out in note 3. Accordingly, the Group presents only one single operating segment and no further analysis is presented.

#### Geographical information

No geographical information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's non-current assets are physically located in Hong Kong.

#### Timing of revenue recognition

All timing of revenue recognition is over time for the year ended 30 June 2020 and 2019.

#### Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	44,325	124,120
Customer B	30,560	168,397
Customer C	75,102	40,045*

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Construction service fee income

The Group provides construction service to the customers. When the progress towards complete satisfaction of the performance obligations of a construction contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a construction contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

#### Building management services income

The Group provides building management service to the customers. Building management services income is recognised when the building management service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

### 7. INTEREST REVENUE

	2020 HK\$'000	2019 HK\$'000
Bank interest income	424	68
Interest income on payment for a life insurance policy	239	312
Interest income on loan to staffs	302	–
	<b>965</b>	380



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 8. OTHER INCOMES, GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
Reversal of allowance for bad and doubtful debts	4,406	1,662
Release on contingent consideration	–	294
Sundry income	463	400
Other expenses	–	(47)
Government subsidy	397	–
Gain on disposal of plant and equipment	1	–
	<b>5,267</b>	<b>2,309</b>

### 9. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	199	353
Interest on lease liabilities	45	–
	<b>244</b>	<b>353</b>

### 10. INCOME TAX EXPENSES

	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax:		
Current year	383	4,198
Overprovision in prior years	(7)	–
	<b>376</b>	<b>4,198</b>
Deferred taxation – current year (note 17)	67	(192)
	<b>443</b>	<b>4,006</b>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 10. INCOME TAX EXPENSES (CONTINUED)

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before taxation	2,477	20,009
Tax at the domestic tax rate	244	3,135
Tax effect of expenses not deductible for tax purpose	963	1,678
Tax effect of income not taxable for tax purpose	(915)	(787)
Tax effect of estimated tax losses not recognised	178	–
Overprovision in prior years	(7)	–
Others	(20)	(20)
Income tax expense	443	4,006

### 11. PROFIT FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000
The Group's profit for the year is stated after charging/(crediting) the following:		
Auditor's remuneration	750	850
Directors' remuneration (note 12)	5,294	5,255
Other staff costs:		
Salaries and other benefits	19,556	87,333
Equity-settled share option expense	45	57
Retirement benefit schemes contributions	678	3,285
Total staff costs*	25,573	95,930
Depreciation of plant and equipment	622	379
Depreciation of right-of-use assets	958	–
Gain on disposal of plant and equipment	(1)	–
Amortisation of other intangible assets	–	373
Lease payments under operating leases in respect of office premises	–	2,414

\* The staff costs were expensed in direct costs and administrative expenses amounting to HK\$16,225,000 (2019: HK\$78,042,000) and HK\$9,348,000 (2019: HK\$17,888,000) respectively

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

#### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to directors and chief executive of the Company are as follows:

	Fee HK\$'000	Salaries and other benefits HK\$'000	Performance and discretionary bonus (note i) HK\$'000	Equity-settled share option expense HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors (note vi)</b>						
Mr. Kwok Tung Keung (note ii)	2,520	–	–	509	18	3,047
Mr. Ko Chun Hay Kelvin (note ii)	315	–	–	815	15	1,145
<b>Non-executive director (note vii)</b>						
Mr. Woo See Shing (note iii)	135	–	600	–	7	742
<b>Independent non-executive directors (note vii)</b>						
Mr. So Chi Wai (note iv)	90	–	–	–	–	90
Ms. Wong Shuk Fong	120	–	–	–	–	120
Mr. Donald William Sneddon	120	–	–	–	–	120
Mr. Ng Man Li (note v)	30	–	–	–	–	30
<b>Total for 2020</b>	<b>3,330</b>	<b>–</b>	<b>600</b>	<b>1,324</b>	<b>40</b>	<b>5,294</b>

	Fee HK\$'000	Salaries and other benefits HK\$'000	Performance and discretionary bonus (note i) HK\$'000	Equity-settled share option expense HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors (note vi)</b>						
Mr. Kwok Tung Keung (note ii)	480	2,172	220	301	18	3,191
Mr. Ko Chun Hay Kelvin (note ii)	315	–	–	1,017	15	1,347
<b>Non-executive director (note vii)</b>						
Mr. Woo See Shing (note iii)	180	–	–	168	9	357
<b>Independent non-executive directors (note vii)</b>						
Mr. So Chi Wai (note iv)	120	–	–	–	–	120
Ms. Wong Shuk Fong	120	–	–	–	–	120
Mr. Donald William Sneddon	120	–	–	–	–	120
<b>Total for 2019</b>	<b>1,335</b>	<b>2,172</b>	<b>220</b>	<b>1,486</b>	<b>42</b>	<b>5,255</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

#### (a) Directors' and chief executive's emoluments (continued)

Notes:

- (i) The performance and discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (ii) Mr. Kwok Tung Keung acts as chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive. Mr. Kwok has resigned as the Chief Executive Officer of the Company on 9 August 2019, and Mr. Ko Chun Hay Kelvin has been appointed as the Chief Executive Officer of the Company with effect from the same date.
- (iii) Mr. Woo See Shing has resigned as a non-executive director of the Company on 31 March 2020.
- (iv) Mr. So Chi Wai has resigned as an independent non-executive director of the Company on 31 March 2020.
- (v) Mr. Ng Man Li has been appointed as an independent non-executive director of the Company on 1 April 2020.
- (vi) The emoluments of the executive directors are for their services in connection with the management of the affairs of the Company and the Group.
- (vii) The emoluments of the non-executive director and independent non-executive directors are for their services as the directors of the Company.

During both years, no emolument was paid or payable by the Group to any directors of the Company as an inducement to join, or upon joining the Group or as compensation for loss of office. There is no arrangement under which a director has waived or agreed to waive any remuneration.

During the year ended 30 June 2020 and 2019, share options were granted to certain directors in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 34 to the Group's consolidated financial statements.

#### (b) Employees' emoluments

The five highest paid individuals include two (2019: two) directors whose emoluments are presented in the disclosures in (a) above. The emoluments of the remaining three (2019: three) individuals are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	2,569	2,596
Performance and discretionary bonus	60	381
Retirement benefit schemes contributions	54	54
	<b>2,683</b>	<b>3,031</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

#### (b) Employees' emoluments (continued)

Their emoluments are within the following bands:

	2020 Number of employees	2019 Number of employees
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	1	1
	<b>3</b>	<b>3</b>

During both years, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 13. DIVIDENDS

The 2019 final dividend of HK2.5 cents per ordinary share, in an aggregate amount of HK\$20,000,000 has been declared and paid during 2020.

No dividend was proposed for the year ended 30 June 2020.

### 14. EARNINGS PER SHARE

#### Basic earnings per share

The calculation of the basic and diluted earning per share is based on the following:

	2020 HK\$'000	2019 HK\$'000
Earnings for the purpose of calculating basic and diluted earning per share	<b>2,363</b>	16,120

#### Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings for share	<b>800,000</b>	800,000
Effect of dilutive potential ordinary shares – arising from share options	–	759
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per shares	<b>800,000</b>	800,759

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 15. PLANT AND EQUIPMENT

	Machinery HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 July 2018	190	1,627	1,225	538	1,469	5,049
Additions	–	–	141	39	1,399	1,579
Disposal of a subsidiary	(3)	(183)	(192)	(139)	–	(517)
At 30 June 2019 and 1 July 2019	187	1,444	1,174	438	2,868	6,111
Disposal	–	–	–	–	(962)	(962)
At 30 June 2020	187	1,444	1,174	438	1,906	5,149
<b>ACCUMULATED DEPRECIATION</b>						
At 1 July 2018	24	1,196	1,175	352	1,309	4,056
Charge for the year	47	120	21	55	136	379
Disposal of a subsidiary	(1)	(21)	(22)	(19)	–	(63)
At 30 June 2019 and 1 July 2019	70	1,295	1,174	388	1,445	4,372
Charge for the year	47	99	–	35	441	622
Disposal	–	–	–	–	(962)	(962)
At 30 June 2020	117	1,394	1,174	423	924	4,032
<b>CARRYING AMOUNT</b>						
At 30 June 2020	70	50	–	15	982	1,117
At 30 June 2019	117	149	–	50	1,423	1,739

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 16. RIGHT-OF-USE ASSETS

Disclosure of lease-related items:

	2020 HK\$'000
At 30 June:	
Right-of-use assets	
– Land and buildings	2,650
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
– Less than 1 year	1,750
– Between 1 and 2 years	1,055
	2,805
Year ended 30 June:	
Depreciation of right-of-use assets	
– Land and buildings	958
Lease interests	45
Expenses related to short-term leases	1,043
Total cash outflow for leases	2,019
Additions to right-of-use assets	3,608

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 17. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group.

	Accelerated depreciation allowance HK\$'000	Intangible assets HK\$'000	Total HK\$'000
At 1 July 2018	39	(605)	(566)
Disposal of a subsidiary	–	544	544
Credit to profit or loss (note 10)	131	61	192
At 30 June 2019	170	–	170
Charge to profit or loss (note 10)	(67)	–	(67)
At 30 June 2020	103	–	103

The Group has estimated unused tax losses of HK\$9,807,000 (2019: HK\$8,725,000) available for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

### 18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Deposits	3,717	3,943
Payment for a life insurance policy (note i)	9,271	9,158
Other receivables	424	27
Prepayment for land for sale under development	11,935	–
Prepayments	5,000	–
Loan to staffs (note ii)	15,000	–
Interest receivables (note ii)	302	–
	<b>45,649</b>	13,128
Analysed for reporting purposes as:		
Non-current assets	12,206	12,094
Current assets	33,443	1,034
	<b>45,649</b>	13,128



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

- (i) The Group entered into a life insurance policy to insure a director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is United States dollars ("US\$") 2,000,000. The Group is required to pay a single premium of US\$1,049,379 (equivalent to approximately HK\$8,139,000) to the insurance company at inception. The Group can, at any time, withdraw cash based on the account value of the policy ("Account Value") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge deducted from Account Value. The insurance company will pay the Group a guaranteed interest rate of 4% per annum for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 2%) during the effective period of the policy.

At the inception date, the gross premium paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policy. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policy and the deposit placed is measured at amortised cost using the effective interest method.

In the view of the directors of the Company, the Group will not terminate the policy nor withdraw cash prior to the end of 18th policy year and the expected life of the policy remained unchanged since its initial recognition. The balance of the deposit of the life insurance policy is denominated in US\$, being a currency other than the functional currency of the relevant group entity.

- (ii) On 29 October 2019, King Victory Investment Limited ("KV"), a wholly owned subsidiary of the Group, borrowed the loan amounting to HK\$15,000,000 to the directors of Grand Paradise Development Company Limited ("Grand Paradise"), a non-wholly owned subsidiary of the Group. The loan is secured by the 35% shareholdings of Grand Paradise, interest bearing at 3% per annum and repayable within 12 months from the date of the loan agreement, subject to an extension for further six months.

### 19. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	5,251	50,542
Less: allowance for bad and doubtful debts	(456)	(4,862)
	<b>4,795</b>	45,680

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 19. TRADE RECEIVABLES (CONTINUED)

The Group allows a credit period of 30 to 60 days to its customers for construction works, and allows no credit to its customers for building management services. An ageing analysis of the trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	4,795	40,863
31 – 60 days	–	–
61 – 180 days	–	3,015
181 – 365 days	–	1,802
	<b>4,795</b>	<b>45,680</b>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 100% (2019: 88%) of trade receivables as at 30 June 2020, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$nil (2019: HK\$4,817,000) which are past due at the end of the reporting period, for which the Group has not provided for impairment loss. The directors of the Company consider that these receivables are still recoverable as there has not been a significant change in credit quality of these customers and there are continuous subsequent settlements from these customers. The Group does not hold any collateral over these balances.

The movements in the allowance for doubtful debts during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Balance at beginning of year	4,862	6,524
Impairment losses recognised	63	984
Reversal of impairment losses	<b>(4,469)</b>	<b>(2,646)</b>
Balance at end of year	<b>456</b>	<b>4,862</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 19. TRADE RECEIVABLES (CONTINUED)

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Within 90 days past due	Over 90 days past due	Over 180 days past due	Over 1 year past due	Total
At 30 June 2020						
Weighted average expected loss rate	0%	0%	0%	0%	100%	
Receivable amount (HK\$'000)	4,795	–	–	–	456	5,251
Loss allowance (HK\$'000)	–	–	–	–	456	456
At 30 June 2019						
Weighted average expected loss rate	0%	0%	0%	5%	100%	
Receivable amount (HK\$'000)	40,863	–	3,015	1,897	4,767	50,542
Loss allowance (HK\$'000)	–	–	–	95	4,767	4,862

### 20. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 30 June 2020 HK\$'000	As at 30 June 2019 HK\$'000	As at 1 July 2018 HK\$'000
Contract assets – construction	35,456	51,916	65,623
Contract liabilities – construction	5,480	1,935	2,295
Contract receivables (included in trade receivables)	4,795	45,680	43,103

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

– 2020	N/A	1,935
– 2021	5,480	N/A
	5,480	1,935

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 20. CONTRACT ASSETS AND LIABILITIES (CONTINUED)

Year ended 30 June

	2020 HK\$'000	2019 HK\$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	<b>1,935</b>	2,295

Significant changes in contract assets and contract liabilities during the year:

	2020 Contract assets HK\$'000	2020 Contract liabilities HK\$'000	2019 Contract assets HK\$'000	2019 Contract liabilities HK\$'000
Increase due to operations in the year	<b>35,456</b>	<b>5,480</b>	51,916	1,935
Transfer of contract assets to receivables	<b>(51,916)</b>	<b>N/A</b>	(65,623)	N/A
Transfer of contract liabilities to revenue	<b>N/A</b>	<b>(1,935)</b>	N/A	(2,295)

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

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

Unbilled retention receivables relating to contracts in progress of HK\$11,598,000 (2019: HK\$40,881,000) are included in contract assets as at 30 June 2020. Retention monies will be released after completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of the respective construction contracts, of which approximately HK\$6,675,000 (2019: HK\$20,680,000) and HK\$4,923,000 (2019: HK\$20,201,000) are recoverable within one year and after one year, respectively.

### 21. LAND FOR SALE UNDER DEVELOPMENT

At the end of the reporting period, land for sale under development amounting to approximately HK\$5,136,000 were expected to be realised within twelve months from the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 22. PLEDGED BANK BALANCES/BANK BALANCES AND CASH

Pledged bank balances represent bank deposits pledged to secure the banking facilities (including the bank borrowings and performance guarantee) granted to the Group, and carry interest at prevailing market rate ranging from 0.01% to 1.15% (2019: 0.01% to 1.15%) per annum.

Bank balances and cash comprise of cash on hand and short-term bank deposits with an original maturity of three months or less, and carry interest at prevailing market rate ranging from 0.01% to 1.15% (2019: 0.01% to 1.15%) per annum.

### 23. TRADE PAYABLES

The credit period granted to the Group by suppliers and subcontractors is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	2,992	22,481
31 – 60 days	–	3
61-180 days	–	–
Over 180 days	2,334	79
Total	5,326	22,563

### 24. OTHER PAYABLES, RETENTION PAYABLES AND ACCRUED CHARGES

	2020 HK\$'000	2019 HK\$'000
Accrued charges for construction	22,791	27,046
Other accrued charges	1,014	1,115
Retention payables (note i)	34,649	42,836
Provision (note ii)	569	1,000
	59,023	71,997

Notes:

- (i) Retention monies payable to subcontractors of contract works will be released by the Group after completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of the respective construction contracts, of which approximately HK\$28,660,000 (2019: HK\$39,123,000) and HK\$5,989,000 (2019: HK\$3,713,000) are due within one year and after one year, respectively.
- (ii) The Group provides for the probable future long services payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of the probable future payments which have been earned by the employees from their services to the Group up to the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 25. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Revolving bank loan	5,000	5,000
Carrying amount repayable based on scheduled repayment dates set out in loan agreements:		
Revolving bank loan – on demand	5,000	5,000
Less: Carrying amount of bank borrowings that are repayable on demand or contain a repayment on demand clause and shown under current liabilities	(5,000)	(5,000)
	–	–

Revolving bank loan carries interest at one-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.0% (2019: one-month HIBOR plus 2.0%) per annum.

At 30 June 2020, the revolving bank loan and other banking facilities are secured by:

- (i) the pledged bank balances of HK\$15,859,000 (2019: HK\$64,543,000);
- (ii) a deposit of a life insurance policy as disclosed in note 18;
- (iii) project proceeds from construction contracts of the Group;
- (iv) corporate guarantee by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 26. LEASE LIABILITIES

	Lease payments 2020 HK\$'000	Present value of lease payments 2020 HK\$'000
Within one year	1,750	1,698
In the second to fifth years, inclusive	1,055	979
	2,805	
Less: Future finance charges	(128)	
Present value of lease liabilities	2,677	2,677
Less: Amount due for settlement within 12 months (shown under current liabilities)		(1,698)
Amount due for settlement after 12 months		979

At 30 June 2020, the average borrowing rate was 5.1%. Interest rate are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

### 27. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2018, 30 June 2019 and 30 June 2020	2,000,000,000	20,000
Issued and fully paid:		
At 1 July 2018, 30 June 2019 and 30 June 2020	800,000,000	8,000

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 27. SHARE CAPITAL (CONTINUED)

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in note 25, and equity of the Group, comprising issued share capital and reserves. Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issue of new shares, raise of new borrowings or repayment of existing borrowings.

### 28. RESERVES

#### (a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

#### (b) Company

	Share premium HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2018	40,903	3,649	19,008	63,560
Profit and total comprehensive income for the year	–	–	26,009	26,009
Recognition of equity-settled share-based payments	–	1,543	–	1,543
Share options forfeited	–	(1,408)	1,408	–
Dividends paid	–	–	(20,000)	(20,000)
At 30 June 2019 and 1 July 2019	40,903	3,784	26,425	71,112
Loss and total comprehensive expense for the year	–	–	(2,452)	(2,452)
Recognition of equity-settled share-based payments	–	1,369	–	1,369
Share options forfeited	–	(168)	168	–
Dividends paid	–	–	(20,000)	(20,000)
At 30 June 2020	40,903	4,985	4,141	50,029



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 28. RESERVES (CONTINUED)

#### (c) Nature and purpose of reserves

##### (i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

##### (ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the financial statements.

##### (iii) Capital contribution

Capital contribution represents (a) the difference of the combined share capital of the operating subsidiaries and the share capital of the Company for shares issued pursuant to a group reorganisation in preparation for listing of the Company's shares; (b) capital contributions from the controlling shareholder of the Company; and (c) a deemed distribution for the financial guarantee provided by a subsidiary of the Group to a related company wholly owned by the controlling shareholder of the Company.

### 29. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases for office premises with independent third parties, which fall due as follows:

	2019 HK\$'000
Within one year	1,785
In the second to fifth years inclusive	492
	2,277

Leases and rentals are negotiated and fixed for a term of three months to two years.

### 30. PLEDGE OF ASSETS

At 30 June 2019 and 2020, the Group has pledged the deposit placed for the life insurance policy and certain bank balances, details of which are disclosed in notes 18 and 22 respectively, to secure the bank borrowings and certain banking facilities granted to the Group. At 30 June 2019, the performance bonds granted by the banks are secured by the project proceeds from certain construction contracts of the Group.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

### **31. PERFORMANCE GUARANTEE**

At 30 June 2020, performance guarantee of approximately HK\$nil (2019: HK\$13,015,000) are given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under contracts entered into between the Group and their customers for construction work. The Group has contingent liabilities to indemnify the banks for any claims from customers under the guarantee due to the failure of the Group's performance. The performance guarantee will be released upon completion of the contract works.

At the end of both reporting periods, the directors of the Company do not consider it is probable that a claim will be made against the Group.

### **32. RELATED PARTY TRANSACTIONS**

Other than as disclosed elsewhere in the consolidated financial statements, the Group does not have any material related party transaction for both years.

#### **Compensation of key management personnel**

The remuneration of directors of the Company, who represent the key management personnel during the year, are set out in note 12.

### **33. RETIREMENT BENEFITS SCHEMES**

The MPF Schemes are registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Schemes, the employer and its employees are each required to make contributions to the MPF Schemes at rates specified in the rules. The only obligation of the Group with respect to the MPF Schemes is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Schemes is available to reduce the contribution payable in future years. The cap of contribution amount is HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Schemes charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The Group's contributions to the retirement benefits schemes charged to profit or loss in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK\$718,000 (2019: HK\$3,327,000).

### **34. SHARE-BASED PAYMENTS**

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 9 March 2016 for the primary purpose of providing incentives to directors and eligible employees. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for 10 years. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 34. SHARE-BASED PAYMENTS (CONTINUED)

At 30 June 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 49,200,000 (2019: 36,100,000), which if exercised in full representing 6.15% (2019: 4.51%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

#### Share option A

Grantee	Date of grant of share options	Exercisable period	Balance as at 01.07.2018	Granted during the year	Number of share options			Balance as at 30.06.2019
					Exercised during the year	Lapsed during the year	Cancelled during the year	
Directors	29/11/2017	29/11/2017-28/11/2022	26,000,000	-	-	(10,200,000)	-	15,800,000
Employees	29/11/2017	29/11/2017-28/11/2022	500,000	-	-	-	-	500,000
			26,500,000	-	-	(10,200,000)	-	16,300,000
Exercisable at the end of the reporting period			26,500,000					16,300,000

Grantee	Date of grant of share options	Exercisable period	Balance as at 01.07.2019	Granted during the year	Number of share options			Balance as at 30.06.2020
					Exercised during the year	Lapsed during the year	Cancelled during the year	
Directors	29/11/2017	29/11/2017-28/11/2022	15,800,000	-	-	-	-	15,800,000
Employees	29/11/2017	29/11/2017-28/11/2022	500,000	-	-	-	-	500,000
			16,300,000	-	-	-	-	16,300,000
Exercisable at the end of the reporting period			16,300,000					16,300,000

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 34. SHARE-BASED PAYMENTS (CONTINUED)

#### Share option A (continued)

The fair value of the share options granted on 29 November 2017 is HK\$4,337,000, calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

Weighted average share price	HK\$0.371
Exercise price	HK\$0.371
Validity period	5 years
Risk-free rate	1.498%
Expected volatility	44.31%
Expected dividend yield	0%
Expected early exercise multiplier	2.80

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 6 months. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The closing price of the shares immediately before the date of grant of the 31,500,000 share options with an exercise price of HK\$0.371 per share on 29 November 2017 to directors and employee of the Company under Share Option Scheme was HK\$0.385 per share.

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 5 years from the date of grant subject to the provisions of early termination thereof.

#### Share option B

Grantee	Date of grant of share options	Exercisable period	Balance as at 01.07.2018	Granted during the year	Number of share options			Balance as at 30.06.2019
					Exercised during the year	Lapsed during the year	Cancelled during the year	
Directors	3/12/2018	3/12/2018-2/12/2023	-	8,500,000	-	-	-	8,500,000
		3/12/2019-2/12/2023	-	2,600,000	-	-	-	2,600,000
		3/12/2020-2/12/2023	-	2,600,000	-	-	-	2,600,000
		3/12/2021-2/12/2023	-	2,600,000	-	-	-	2,600,000
		3/12/2022-2/12/2023	-	2,500,000	-	-	-	2,500,000
			-	18,800,000	-	-	-	18,800,000
Employees	3/12/2018	3/12/2018-2/12/2023	-	200,000	-	-	-	200,000
		3/12/2019-2/12/2023	-	200,000	-	-	-	200,000
		3/12/2020-2/12/2023	-	200,000	-	-	-	200,000
		3/12/2021-2/12/2023	-	200,000	-	-	-	200,000
		3/12/2022-2/12/2023	-	200,000	-	-	-	200,000
			-	1,000,000	-	-	-	1,000,000
			-		-	-	-	19,800,000
			-		-	-	-	8,700,000
Exercisable at the end of the reporting period			-					8,700,000

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 34. SHARE-BASED PAYMENTS (CONTINUED)

#### Share option B (continued)

Grantee	Date of grant of share options	Exercisable period	Balance as at 01.07.2019	Granted during the year	Number of share options			Balance as at 30.06.2020
					Exercised during the year	Lapsed during the year	Cancelled during the year	
Directors	3/12/2018	3/12/2018-2/12/2023	8,500,000	-	-	(600,000)	-	7,900,000
		3/12/2019-2/12/2023	2,600,000	-	-	(600,000)	-	2,000,000
		3/12/2020-2/12/2023	2,600,000	-	-	(600,000)	-	2,000,000
		3/12/2021-2/12/2023	2,600,000	-	-	(600,000)	-	2,000,000
		3/12/2022-2/12/2023	2,500,000	-	-	(600,000)	-	1,900,000
			18,800,000	-	-	(3,000,000)	-	15,800,000
Employees	3/12/2018	3/12/2018-2/12/2023	200,000	-	-	-	-	200,000
		3/12/2019-2/12/2023	200,000	-	-	-	-	200,000
		3/12/2020-2/12/2023	200,000	-	-	-	-	200,000
		3/12/2021-2/12/2023	200,000	-	-	-	-	200,000
		3/12/2022-2/12/2023	200,000	-	-	-	-	200,000
			1,000,000	-	-	-	-	1,000,000
			19,800,000					16,800,000
<b>Exercisable at the end of the reporting period</b>			<b>8,700,000</b>					<b>10,300,000</b>

The fair value of the share options granted on 3 December 2018 is HK\$2,515,000, calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

Weighted average share price	HK\$0.307
Exercise price	HK\$0.307
Validity period	5 years
Risk-free rate	2.156%
Expected volatility	55.77%
Expected dividend yield	0%
Expected early exercise multiplier	2.80

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 6 months. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 34. SHARE-BASED PAYMENTS (CONTINUED)

#### Share option B (continued)

The Group recognised an expense of HK\$415,000 (2019: HK\$1,543,000) for the year ended 30 June 2020 in relation to share options granted by the Company.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The closing price of the shares immediately before the date of grant of the 19,800,000 share options with an exercise price of HK\$0.307 per share on 3 December 2018 to directors and employee of the Company under Share Option Scheme was HK\$0.3 per share.

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 5 years from the date of grant subject to the provisions of early termination thereof.

#### Share option C

Grantee	Date of grant of share options	Exercisable period	Balance as at 01.07.2019	Granted during the year	Number of share options			Balance as at 30.06.2020
					Exercised during the year	Lapsed during the year	Cancelled during the year	
Directors	3/3/2020	4/3/2020-3/3/2023	-	7,900,000	-	-	-	7,900,000
		1/1/2021-3/3/2023	-	1,000,000	-	-	-	1,000,000
		1/1/2022-3/3/2023	-	1,000,000	-	-	-	1,000,000
		1/1/2023-3/3/2023	-	5,900,000	-	-	-	5,900,000
			-	15,800,000	-	-	-	15,800,000
Employees	3/3/2020	1/1/2021-3/3/2023	-	100,000	-	-	-	100,000
		1/1/2022-3/3/2023	-	100,000	-	-	-	100,000
		1/1/2023-3/3/2023	-	100,000	-	-	-	100,000
			-	300,000	-	-	-	300,000
			-					16,100,000
Exercisable at the end of the reporting period			-					7,900,000

The fair value of the share options granted during the current year on 3 March 2020 is HK\$1,679,000, calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

Weighted average share price	HK\$0.245
Exercise price	HK\$0.245
Validity period	3 years
Risk-free rate	0.82%
Expected volatility	64.99%
Expected dividend yield	0%
Expected early exercise multiplier	2.80

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 6 months. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 34. SHARE-BASED PAYMENTS (CONTINUED)

#### Share option C (continued)

The Group recognised an expense of HK\$954,000 for the year ended 30 June 2020 in relation to share options granted by the Company.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The closing price of the shares immediately before the date of grant of the 16,100,000 share options with an exercise price of HK\$0.245 per share on 3 March 2020 to directors and employee of the Company under Share Option Scheme was HK\$0.245 per share.

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 3 years from the date of grant subject to the provisions of early termination thereof.

### 35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

#### Change in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year.

	Interest payable HK\$'000	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 July 2018	–	8,540	–	8,540
Changes in cash flows	(353)	(360)	–	(713)
Non-cash changes:				
– disposal of a subsidiary	–	(3,180)	–	(3,180)
– interest charged	353	–	–	353
At 30 June 2019	–	5,000	–	5,000
Changes in cash flows	(244)	–	(931)	(1,175)
Non-cash changes:				
– addition of lease liabilities	–	–	3,608	3,608
– interest charged	244	–	–	244
At 30 June 2020	–	5,000	2,677	7,677

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Investments in subsidiaries	2	2
Current assets		
Amounts due from subsidiaries	39,242	59,914
Other receivables	26	26
Bank balances and cash	19,180	19,959
	<b>58,448</b>	79,899
Current liabilities		
Other payables and accrued charges	421	735
Tax payable	–	54
	<b>421</b>	789
Net current assets	<b>58,027</b>	79,110
Net assets	<b>58,029</b>	79,112
Capital and reserves		
Share capital	8,000	8,000
Reserves	50,029	71,112
	<b>58,029</b>	79,112



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company as at 30 June 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation and principal place of business	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			2020 %	2019 %	
<b>Direct subsidiaries</b>					
Well Joint Limited	BVI/Hong Kong	US\$100	100	100	Investment holding
Focus Wealth Investments Limited	BVI/Hong Kong	US\$100	100	100	Investment holding
KV	Hong Kong	HK\$1	100	100	Investment holding
King Shiny Development Limited	Hong Kong	HK\$1	100	–	Dormant
<b>Indirect subsidiaries</b>					
W.M. Construction Limited	Hong Kong	HK\$11,000,000	100	100	Building construction in Hong Kong
W.M. Engineering Company Limited	Hong Kong	HK\$10	100	100	Construction and engineering works with focus on minor and supplementary works in Hong Kong
Grand Paradise	Hong Kong	HK\$24,010,000	65	–	Land construction services in Hong Kong
Ace Shine Investment Development Limited	BVI/Hong Kong	US\$100	65	–	Sales and development of lands in Hong Kong

None of the subsidiaries had issued any debt securities at the end of the respective reporting periods.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARY THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of the non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

	<b>Grand Paradise</b> 2020
Principal place of business and country of incorporation	Hong Kong
% of ownership interests/voting rights held by NCI	65/35
	HK\$'000
<b>At 30 June</b>	
Current assets	25,603
Current liabilities	(2,492)
Net assets	23,111
Accumulated NCI	8,089
	<b>From 25 July 2019 (Date of acquisition) to 30 June 2020</b> HK\$'000
Revenue	–
Loss	899
Total comprehensive loss	899
Loss allocated to NCI	315
Net cash used in operating activities	(5,488)
Net cash generated from investing activities	–
Net cash generated from financing activities	12,000
Net increase in cash and cash equivalents	6,512

### 39. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 September 2020.

## FINANCIAL SUMMARY

### RESULTS

	For the year ended 30 June				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	<b>217,287</b>	507,796	498,638	651,426	560,280
Profit for the year	<b>2,034</b>	16,003	8,340	5,905	6,010
Profit for the year/(expense) attributable to:					
Owners of the Company	<b>2,363</b>	16,120	8,325	5,905	6,010
Non-controlling interests	<b>(329)</b>	(117)	15	–	–
	<b>2,034</b>	16,003	8,340	5,905	6,010

### ASSETS AND LIABILITIES

	As at 30 June				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	<b>242,209</b>	270,273	283,681	304,701	277,683
Total liabilities	<b>(82,623)</b>	(106,094)	(111,751)	(150,847)	(129,734)
Total equity	<b>159,586</b>	164,179	171,930	153,854	147,949