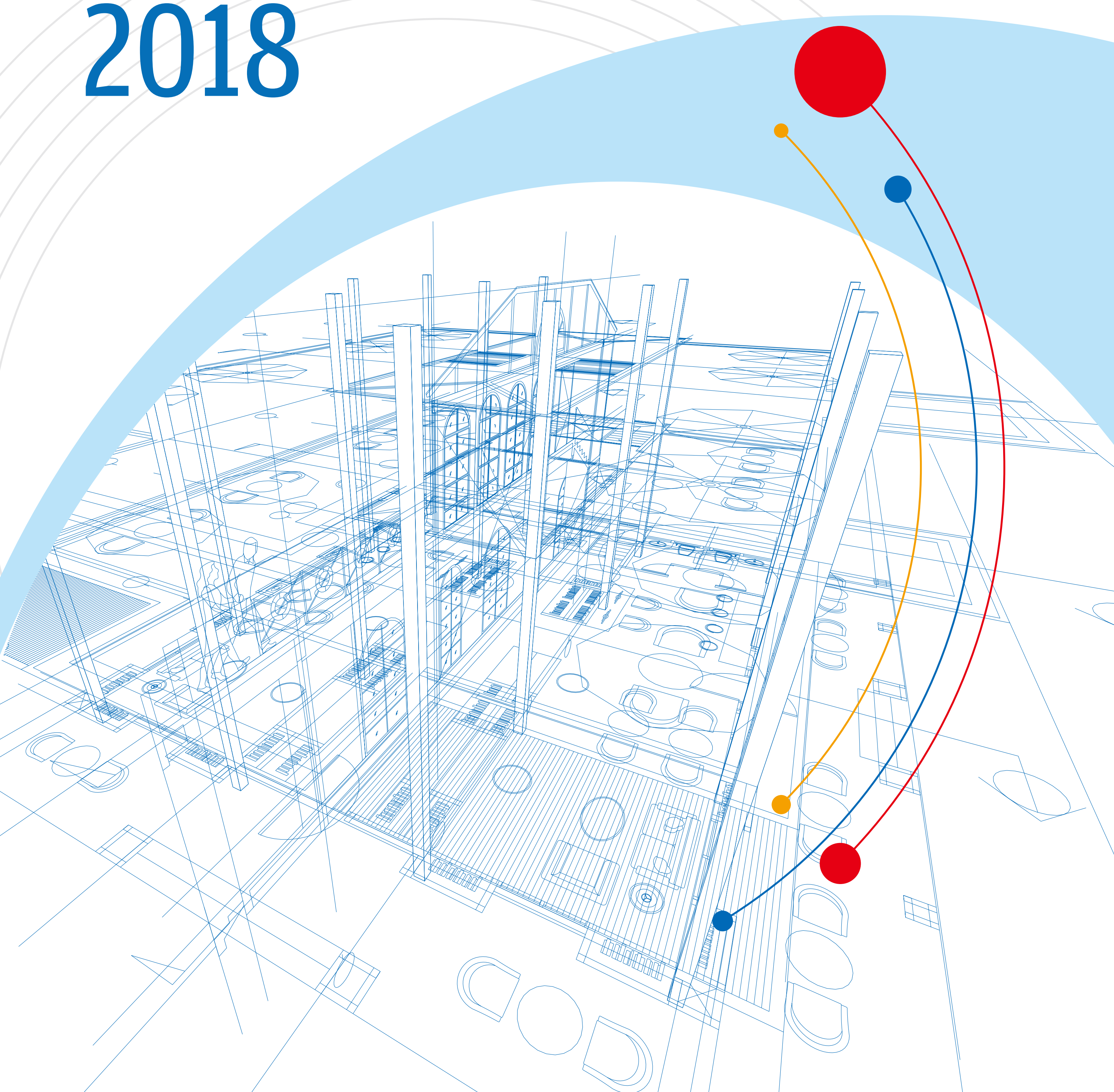
YAT SING HOLDINGS LIMITED
日成控股有限公司

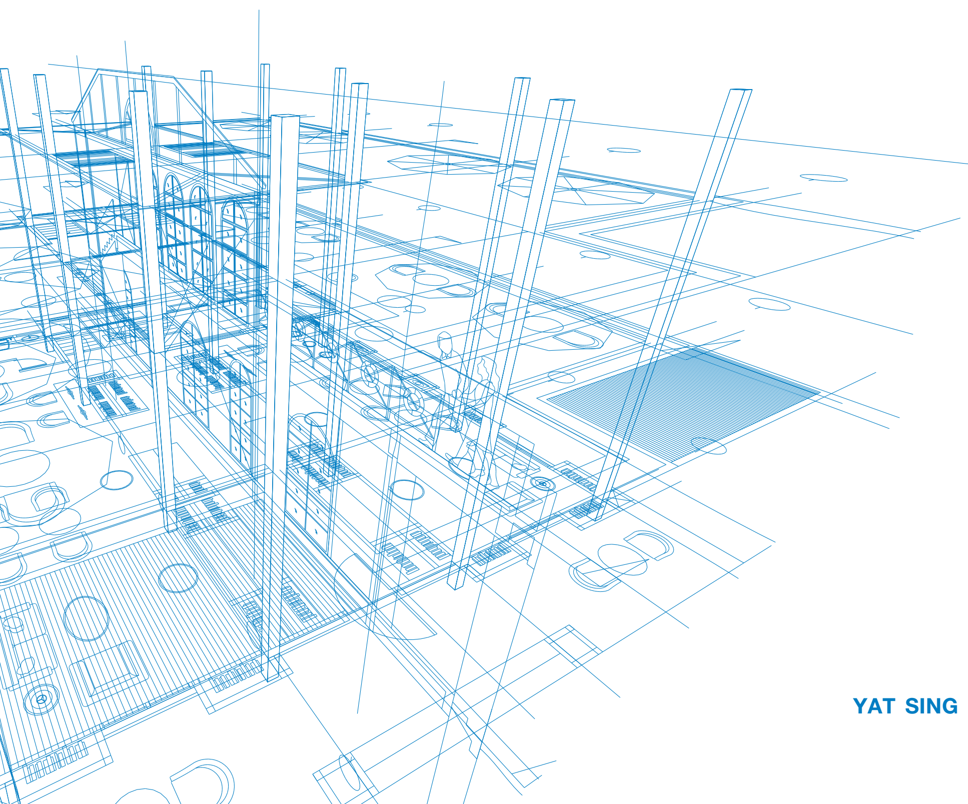
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3708

Annual Report 2018



Contents



Corporate Information

EXECUTIVE DIRECTORS
Mr. DAI Jian (Chairman and Chief Executive Officer)
Mr. DAI Ming (appointed on 3 August 2017)
Mr. DAI Jialong (resigned on 3 August 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. GUO Biao
Ms. SONG Dan
Mr. CHAN Foon

AUDIT COMMITTEE
Mr. CHAN Foon (Chairman)
Mr. GUO Biao
Ms. SONG Dan

NOMINATION COMMITTEE
Mr. DAI Jian (Chairman)
Mr. GUO Biao
Mr. CHAN Foon

REMUNERATION COMMITTEE
Mr. GUO Biao (Chairman)
Mr. CHAN Foon
Ms. SONG Dan

COMPANY SECRETARY
Mr. FUNG Nam Shan

AUTHORIZED REPRESENTATIVES
Mr. DAI Jian
Mr. FUNG Nam Shan

INDEPENDENT AUDITORS
SHINEWING (HK) CPA Limited

LEGAL ADVISERS
As to Hong Kong Law
Michael Li & Co.
Loong & Yeung

REGISTERED OFFICE IN THE CAYMAN ISLANDS
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE
Room 1402, 14/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLAND
Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
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
Bank of China (Hong Kong) Limited
Kowloon West Commercial Centre

China Construction Bank Corporation
Tsim Sha Tsui Commercial Banking Office

China CITIC Bank International Limited
Des Voeux Road Central Branch

COMPANY WEBSITE
www.yat-sing.com.hk

STOCK CODE
03708

Chairman’s Statement

TO OUR SHAREHOLDERS

On behalf of the board (the “Board”) of directors (the “Directors”) of Yat Sing Holdings Limited (the “Company”, together with its subsidiaries, the “Group”), I am pleased to present our annual report of the Group for the year ended 30 June 2018 (the “Year”).

RESULTS

For the Year, the Group recorded a revenue of approximately HK$466.6 million, a decrease of approximately HK$46.9 million or 9.1% from HK$513.5 million recorded in the same period in 2017. Consolidated total comprehensive income attributable to owners of the Company for the Year increase by approximately HK$1.0 million or 76.9% to HK$2.3 million (2017: HK$1.3 million).

The basic and diluted earnings per share of the Company (the “Share”) for the Year was approximately HK0.07 cents (2017: HK0.02 cents (restated)).

As at 30 June 2018, the equity attributable to owners of the Company amounted to HK$173.9 million (2017: HK$171.5 million), representing an increase of 1.4%.

DEVELOPMENT FOR THE YEAR

For the core business of maintenance works for public sector, the Group has been awarded 2 contracts with notional or estimated contract value of approximately HK$272.1 million and HK$250.2 million by Hong Kong Housing Authority (the “Housing Authority”) during the Year. The period for both contracts is 36 months. One project commenced in October 2017 and the other project commenced in July 2018.

PROSPECTS

Looking forward, with continuous spending on infrastructure and residential building works by public sector, we are expecting stable growth in the building and maintenance and renovation contracting service industry in Hong Kong. Riding on our operating resources and experience, we believe that we can continue to maintain our competitive edge in the industry to capture the market share for building maintenance and renovation contracting services in Hong Kong.

The Group believes that the investment in the graphene photocatalytic technology would bring in potential business opportunity and development in the People’s Republic of China (the “PRC”) and it will become the Group’s new business focus.

The Board will continue to review the financial position and the operations of the Company and will formulate long-term business plans and strategies of the Company. The Board will explore other business opportunities and consider whether any asset disposals, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification may be appropriate in order to enhance the long-term growth potential of the Company.

Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the shareholders of the Company ("Shareholders") for their continuous confidence, the business partners for their great trust, and the management and staff for their persistent faith and loyalty to the Group. In the coming year, the Group shall continue to explore new opportunities and strive for business growth to bring the highest returns to the Shareholders.

DAI Jian
Chairman

Hong Kong, 27 September 2018

Management Discussion and Analysis

BUSINESS MODEL AND STRATEGY

Building maintenance and renovation services

The Group has more than 50 years of experience and knowledge in the building maintenance and renovation industry and has now become one of the major service providers of the industry in Hong Kong. In 1996, the Group was admitted to the Housing Authority's contractor list under the "Building (Maintenance) Group M2 (confirmed status)" category which enables the Group to tender for the Housing Authority contracts for building maintenance and renovation works of unlimited value.

Our corporate objective is to create and enhance value for the Shareholders. To attain such objective, the Group strives to maintain stable growth and profitability by obtaining sustainable projects in both public and private sectors. To monitor projects as a main contractor, we have to carry out overall project management and supervision of works conducted by our subcontractors. As a result, the works performed by subcontractors can be ensured to conform to contractual specifications and be completed on time and within budget.

Sales of visible light photocatalysis products

The Group completed the acquisition of 55% equity interest in 江陰嘉潤石墨烯光催化技術有限公司 (transliterated as Jiangyin Grabene Graphene Photocatalytic Technology Co., Ltd., "Jiangyin Grabene") in April 2018 which is principally engaged in, amongst other things, research and development, manufacturing, processing, sales, technical advisory and services of visible light photocatalysis products. The Group starts this new business during the Year and recorded revenue and gross profit for this segment.

BUSINESS REVIEW

The Group's principal businesses consist of building maintenance and renovation service in Hong Kong and sales of visible light photocatalysis products in the PRC. All revenue for the Year was derived from building maintenance, renovation services and sales of visible light photocatalysis products.

Building maintenance services

As at 30 June 2018, the Group had 5 building maintenance contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK$897.0 million. As at 30 June 2017, we had 7 building maintenance contracts on hand with a notional or estimated contract value of HK$640.0 million. During the Year, the Group had completed 3 building maintenance contracts.

Renovation services

As at 30 June 2018, the Group had 5 renovation contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK$41.8 million. As at 30 June 2017, the Group had 9 renovation contracts on hand with a notional or estimated contact value of HK$138.9 million. During the Year, the Group had completed 9 renovation contracts.

Management Discussion and Analysis

Sales of visible light photocatalysis products

For the Year, the Group recorded revenue and gross profit of approximately HK$23.0 million and HK$13.2 million respectively.

Principal risks and uncertainties

The list below sets forth the principal risk and uncertainties in relation to the operations:

Most of the revenue is derived from contracts awarded through competitive tendering. There is no guarantee that the existing contracts may continue upon expiry or new contracts may be awarded to the Group to maintain or expand the business.

Most of the revenue is derived from contracts awarded through competitive tendering and is not recurring in nature. The Group are required to submit new tenders upon expiry of existing contracts or to bid for new contracts from time to time. The contract period for building maintenance projects normally lasts for three years whereas the contract period for renovation projects typically ranges from 2 months to 36 months. There is no right of first refusal upon expiry of such contracts and therefore, there is a risk that the Group may not succeed in tendering for the same customer's services upon the expiry of the service contract. Even if the Group are able to meet the pre-requisite requirements for tendering, there is no assurance that (i) the Group would be invited to or are made aware of the tendering process; or (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) the tenders would be selected by customers. In the competitive tendering process, the Group may have to lower the service charges or offer more favourable terms to the customers in order to increase the competitiveness of the tenders, and if the Group are unable to reduce the costs accordingly and maintain the competitiveness, the results of operations would be adversely affected. Furthermore, so far as the Directors are aware, most of the customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that the Group will meet the customers' tendering requirements in which case the Group may not be granted the tender and the reputation, business operations, financial condition and results of operations may be adversely affected.

The cash flows may fluctuate due to the payment practice applied to the projects.

As a main contractor, the Group normally incur net cash outflows as the Group are required to pay the set-up expenditures, costs for procurement of materials and equipment and in some circumstances, advance payment to the sub-contractors for payment of wages and/or necessary materials and equipment in advance of payments from the customers at the early stage of carrying out the works. The customers pay progress payments after the works are progressing and such works progress and progress payments are certified by the customers on a monthly basis. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress. If the Group take up too many significant projects, which require substantial initial setting up costs without sufficient cash inflow from other projects or other suitable sources of funds at a particular point of time, the corresponding cash flow position may be adversely affected.

The Group may take a long time to collect the trade receivables.

There can be no assurance that our clients will pay us the progress payments on time or at all. Delayed payments from the customers may pose difficulties for us to manage the working capital or adversely impact the liquidity. If the Group cannot finance the working capital, the business and financial performance could be materially and adversely affected. The Group continuously monitors collections and payments from the customers and reviews recoverable amount of each individual trade and other receivables regularly at the end of each reporting period to consider if there is any amount to be irrecoverable.

A significant percentage of the revenue and trade receivables is derived from the major customers.

The major customers during the Year include the Government, other public customers and private customers. There is no assurance that the major customers will maintain the current business relationship with the Group upon the expiry of the existing service contracts. If they choose not to do so or if they significantly reduce the level of services required from us, the Group may not be able to find other customers in a timely manner or at all to utilise the service capacity. As a result, the business operations, financial results and profitability will be adversely affected. Further, the Group expect that the Housing Authority will continue to be the largest customer in the near future. Therefore, any decrease or delay in the level of spending from such customers in the industry where the Group operate would have an adverse impact on the business operations, financial condition and results of operations. There is no assurance that the Group can diversify the composition of the customer base to include more private sector customers to replace any such loss of revenue generated from the public sector.

The Group is relying on certain principal subcontractors and changes in subcontracting fees may materially affect the financial performance.

As much of the works undertaken by the Group is delegated to subcontractors, timely completion of projects depends on, to a great extent, the due and timely performance of the subcontractors. There is no assurance that those major subcontractors will be able to continue to provide services to the Group at fees acceptable to us or the Group can maintain the relationship with them in the future. Changes in subcontracting fees may result from changes in cost of labour and materials, technical specifications or customers' requirements in connection with the projects. In some cases, additional labour costs and material costs derived from delay in completion of projects caused by adverse weather condition and other unforeseen problems and circumstances may increase the subcontracting fees. Accordingly, the Group have to bear the risk of fluctuations in subcontracting fees. In the event that any of the major subcontractors is unable to provide the required services to the Group or the subcontracting fees payable to the subcontractors increase substantially, changes in subcontracting fees may materially affect the financial performance and the Group's business, results of operations, profitability and liquidity may be adversely affected.

The Group realized the importance of sufficient financial funding. The Group will keep on to monitor and measure the liquidity and funding risk in an on-going basis, and ensure a sufficient cash flow for the business operations.

Other financial risks are set out in Note 29 to the consolidated financial statements.

Management Discussion and Analysis

Key financial and business performance indicators

The key financial and business performance indicators comprise profit attributable to owners of the Company, basic earnings per share and gearing ratio. For details of relevant analyses, please refer to the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group has endeavored to comply with laws and regulations regarding environmental protection and adopted effective environmental practices to ensure our business meets the required standards and ethics in respect of environmental protection.

For further details, please refer to the section headed “Environmental, Social and Governance Report” of this annual report.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and has taken efforts to minimise the risks of non-compliance with such requirements. The Group has on-going review on the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material breach on non-compliance with the laws and regulations that have a significant impact on the business and operations of the Group.

Key relationships with employees, customers and subcontractors

The Group regularly reviews the employment policies on remuneration and other benefits and ensures that all its staff are reasonable remunerated. The Group maintains a good relationship and close contact with its customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedbacks and suggestions. The Group will also conduct review on the suppliers’ performance on a regular basis.

RECENT DEVELOPMENT

Building maintenance services

During the Year, the Group had been successfully awarded 3 contracts with a notional or estimated contract value of approximately HK$582.4 million. 2 of the newly awarded contracts had commenced during the Year.

The Group had been awarded a new District Term Contract (“DTC”) with a notional or estimated contract value of approximately HK$250.2 million for a contract period of 36 months by the Housing Authority in May 2018. The project commenced in July 2018.

Renovation services

During the Year, we had been successfully awarded 5 contracts with a notional or estimated contract value of approximately HK$28.9 million. All of them had commenced during the Year.

Sales of visible light photocatalysis products

The newly acquired segment of sales of visible light photocatalysis products has contributed approximately HK$23.0 million and HK$8.2 million to the total revenue and profit of the Group respectively during the Year. It reflected huge market demand on the visible light photocatalysis products and the sales of the visible light photocatalysis products is profitable. The management believes the sales of visible light photocatalysis products will significantly increase the revenue of the Group in the following years and the visible light photocatalysis products would become more mature.

FINANCIAL REVIEW

Revenue

For the Year, the revenue of the Group was approximately HK$466.6 million representing a decrease of approximately HK$46.9 million or 9.1% compared with approximately HK$513.5 million for the year ended 30 June 2017, which is due to a decrease of approximately HK$69.9 million on building maintenance and renovation services offset with the additional revenue of approximately HK$23.0 million from sales of visible light photocatalysis products.

Revenue derived from building maintenance services decreased by approximately HK$16.3 million or 4.4% from approximately HK$367.1 million for the year ended 30 June 2017 to approximately HK$350.8 million for the Year. With the end of a DTC project and commencement of another DTC project during the Year, revenue is usually less than for those projects which are at their mid stage.

Revenue derived from renovation services decreased by approximately HK$53.6 million or 36.6% from approximately HK$146.4 million for the year ended 30 June 2017 to approximately HK$92.8 million for the Year. The significant decrease in revenue for renovation segment was mainly attributable to the completion of most of the projects for the conversion of usage of an industrial building during the Year and most of the revenue has already been recognised in prior years.

Revenue derived from the sales of visible light photocatalysis products was approximately HK$23.0 million for the Year.

Gross profit and gross profit margin

During the Year, the Group's gross profit amounted to approximately HK$54.9 million (2017: HK$45.2 million) representing an increase of approximately HK$9.7 million which was due to the additional gross profit recorded from sales of visible light photocatalysis products. Gross profit margin for the Year was approximately 11.8% (2017: 8.8%), the increase was consistent with the change in gross profit margin for both building maintenance and renovation segments with the additional gross profit for sales of visible light photocatalysis products as explained below.

Management Discussion and Analysis

Gross profit attributable to building maintenance services for the Year amounted to approximately HK$37.4 million (2017: HK$42.4 million), representing a decrease of approximately HK$5.0 million or 11.8%. It was due to the decrease in revenue and the commencement of a new DTC project during the Year, which has a lower gross profit margin than the previous project. The Group's gross profit margin for building maintenance services for the Year was approximately 10.7% (2017: 11.5%). The slight decline in gross profit margin for building maintenance services during the Year was attributable to the commencement of a new DTC project within lower gross profit margin.

Gross profit attributable to renovation services for the Year amounted to approximately HK$4.3 million (2017: HK$2.8 million), representing an increase of approximately HK$1.5 million or 53.6%. Gross profit margin from renovation services during the Year was approximately 4.6%, which was much higher than the year ended 30 June 2017 of approximately 1.9%. The improvement in gross profit margin was caused by the decrease in contribution from the project for the conversion of usage of an industrial building, which has lower gross margin than other renovation projects.

Gross profit attributable to the sales of visible light photocatalysis products for the Year amounted to approximately HK$13.2 million. Gross profit margin from the sales of visible light photocatalysis products during the Year was approximately 57.4% and it leads to an increase of the overall gross profit of the Group in contrast to the decrease of the total revenue during the Year which was caused by the decrease in revenue from the traditional building maintenance and renovation services.

Other income

During the Year, other income of the Group mainly comprised the net income from the sales of construction materials amounted to approximately HK$1.7 million and other income included interest income amounted to approximately HK$0.6 million. For the year ended 30 June 2017, net income from the sales of construction materials amounted to approximately HK$1.2 million, other income included interest income amounted to approximately HK$0.3 million.

Administrative expenses

During the Year, administrative expenses of the Group were approximately HK$43.0 million representing an increase of approximately HK$3.2 million or 8.0%, compared with approximately HK$39.8 million for the year ended 30 June 2017.

The significantly higher administrative expenses for the Year were mainly due to the increase in the operating costs of the Company including but not limited to, the increase in staff cost, office rental charge, the professional and other related fees.

Finance Costs

Finance costs of the Group for the Year amounted to approximately HK$1.2 million (2017: HK$0.04 million). The increase was mainly due to the increase in the Group's obligations under financial leases and the bank borrowings.

Income tax

The effective tax rates were approximately 43.6% and 79.9% for the Year and the year ended 30 June 2017, respectively. The effective tax rate for the Year was significantly higher than the statutory profits tax rate of 16.5%. It was mainly due to losses generated from the Company, which is not subject to any income tax.

Profit for the Year

The Group recorded profit for the Year of approximately HK$7.4 million, while the Group recorded profit of approximately HK$1.4 million for the year ended 30 June 2017.

Liquidity, financial resources and capital structure

The Group generally finances its operation through cash from operations, bank borrowings and finance leases. As at 30 June 2018, the Group had total cash and bank balances of approximately HK$46.1 million (2017: HK$40.0 million). As at 30 June 2018, the Group had finance leases approximately HK$1.6 million (2017: HK$1.9 million). As at 30 June 2018, the Group had bank borrowings approximately HK$90.1 million (2017: Nil). All the cash and bank balances, bank borrowings and finance leases are denominated in HK$ and RMB.

As at 30 June 2018, bank borrowings for Hong Kong carried at Hong Kong Interbank Offered Rate plus 2.5% which is 3.30% to 3.67% per annum. The bank borrowings for the PRC carried at a fixed interest rate at 6.00% to 6.87%. As at 30 June 2018, the bank borrowing and general banking facilities for Hong Kong were secured by the Group's bank deposits of approximately HK$3.7 million and corporate guarantee given by the Company. The bank borrowings and general banking facilities for PRC were secured and/or guaranteed by the prepaid lease payments and guarantee given by an independent third party.

As at 30 June 2018, the share capital and equity attributable to owners of the Company amounted to approximately HK$11.2 million and HK$173.9 million respectively (2017: HK$11.2 million and HK$171.5 million respectively).

Foreign exchange risk

The Group operates mainly in Hong Kong and the PRC. Entities within the Group are exposed to foreign exchange risk arising from currency exposures, primarily with respect to HK$ and RMB. Foreign exchange risk arises from the sales, purchases, other future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the Group's functional currency. The Group does not adopt any formal hedge accounting policy and manages its foreign currency risk by closely monitoring the movements of foreign currency rates. The management will consider to enter into forward currency contracts to reduce these risks.

Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 45.1% and 1.1% as at 30 June 2018 and 30 June 2017, respectively. The increase in gearing ratio is due to the significant increase of bank borrowings during the Year.

Management Discussion and Analysis

Charge over assets of the Group

As at 30 June 2018, the Group had pledged bank deposits of approximately HK$3.7 million (2017: Nil) to bank to secure the banking facilities granted to the Group. As at 30 June 2018, the Group had motor vehicles amounted to HK$2.8 million held under finance lease (2017: HK$3.8 million).

Significant investments, acquisitions and disposals of subsidiaries

On 19 September 2017, Synergy Rise Investment Limited ("Synergy Rise") as purchaser, an indirect wholly-owned subsidiary of the Company, and 江蘇龍佳投資有限公司 (transliterated as Jiangsu Longjia Investment Co., Ltd., "Jiangsu Longjia") as vendor, entered into the sale and purchase agreement (as supplemented by the supplemental agreement dated 29 December 2017 and the second supplemental agreement dated 27 March 2018) (collectively, the "Sale and Purchase Agreement"), pursuant to which Synergy Rise conditionally agreed to purchase and Jiangsu Longjia conditionally agreed to sell 55% of the equity interest in Jiangyin Grabene for a total cash consideration of RMB35,750,000.

Completion took place on 23 April 2018 (the "Completion Date") and Jiangyin Grabene became a 55% indirect non wholly-owned subsidiary of the Company.

Pursuant to the Sale and Purchase Agreement, Jiangsu Longjia has irrevocably warranted and undertaken that (the "Profit Guarantee") the after-tax net profit of Jiangyin Grabene for the year ending 31 December 2018 shall be not less than RMB10,000,000 (the "2018 Profit Guarantee") and after-tax net profit of Jiangyin Grabene for the year ending 31 December 2019 shall be not less than RMB12,000,000 (the "2019 Profit Guarantee").

As security for the performance of the obligations of Jiangsu Longjia under the Profit Guarantee, Jiangsu Longjia shall pay a sum in the aggregate amount of RMB12,000,000 to Synergy Rise on the Completion Date, comprising:

(a) RMB6,000,000 as security deposit for the fulfilment of the 2018 Profit Guarantee; and

(b) the remaining RMB6,000,000 as security deposit for the fulfilment of the 2019 Profit Guarantee.

For more details, please refer to the announcements of the Company dated 5 September 2017, 19 September 2017, 12 October 2017, 26 October 2017, 17 November 2017, 24 November 2017, 29 December 2017, 15 January 2018, 27 March 2018 and 23 April 2018, and the circular of the Company dated 19 March 2018.

Save as disclosed, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the Year.

Share Sub-division

On 8 January 2018, the Board proposed to sub-divide each then existing issued and unissued ordinary share of a par value of HK$0.01 each in the share capital of the Company into five (5) sub-divided shares of a par value of HK$0.002 each (the "Share Sub-division").

The Share Sub-division was approved by the Shareholders by way of an ordinary resolution at the extraordinary general meeting of the Company on 7 February 2018 and the Share Sub-division was effective on 8 February 2018.

Contingent liabilities

(a) Contingent liabilities in respect of legal claims

One subsidiary of the Group is defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case and with reference to the legal opinion.

(b) Guarantee issued

At the end of the Year, the Group had provided guarantees to banks in respect of the followings:

	2018 **HK$'000**	2017 HK$'000
Performance bonds in favor of its clients	**7,408**	–

As at 30 June 2018, approximately HK$7,408,000 (2017: Nil) of performance bonds were given by bank in favour of some of the Group's customers as security for the performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2018 (2017: Nil).

Management Discussion and Analysis

Employees and remuneration policies

As at 30 June 2018, the Group had approximately 138 employees (2017: 118). The staff related costs included salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages were subject to review on a regular basis. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

PROSPECTS

Looking forward, with continuous spending on infrastructure and residential building works by public sector, we are expecting stable growth in the building and maintenance and renovation contracting service industry in Hong Kong. Riding on our operating resources and experience, we believe that we can continue to maintain our competitive edge in the industry to capture the market share for building maintenance and renovation contracting services in Hong Kong.

The Group believes that the investment in the graphene photocatalytic technology would bring in potential business opportunity and development in the People's Republic of China (the "PRC") and it will become the Group's new business focus.

The Board will continue to review the financial position and the operations of the Company and will formulate long-term business plans and strategies of the Company. The Board will explore other business opportunities and consider whether any asset disposals, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification may be appropriate in order to enhance the long-term growth potential of the Company.

Biographies Of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. DAI Jian (戴劍先生), aged 31, was appoint as the Chairman, an executive Director, the Chief Executive Officer, the chairman of the nomination committee on 14 January 2017. He is also the controlling shareholder of the Company. He holds a bachelor's degree in finance from The Great Wall University Beijing, the PRC. He has been an executive director and general manager of 河口縣錦鑫礦業有限公司 (transliterated as Hekou Jinxin Mining Limited Company) since September 2016. Currently, he is also a deputy manager of the department of research and development of 江陰市友佳珠光雲母有限公司 (transliterated as Jiangyin Youjia Pearlescent Mica Co. Ltd., "Jiangyin Youjia") since December 2013. Jiangyin Youjia is established in the PRC in 2003 and is a subsidiary of China Crystal New Material Holdings Co., Ltd. (中國晶體新材料控股有限公司, "China Crystal"), a company incorporated in the Cayman Islands with limited liability and listed in the trading board of stock exchange in South Korea since 28 January 2016 (KOSDAQ stock code: 900250).

Mr. DAI Jian has been a deputy general manager of Jiangsu Province Special Synthetic Mica Engineering and Technology Research Center (江蘇省特種合成雲母工程技術研究中心) since January 2015, a centre established by Jiangyin Youjia which is a provincial engineering and technology research centre in Jiangsu Province, the PRC. Mr. DAI Jian has taken part in various research and development projects, including producing electronic micavia artificial synthesis (人工電子合成雲母), automated production system of artificial crystal synthetic mica, etc.

He is the younger cousin of Mr. DAI Ming, an executive Director.

Mr. DAI Ming (戴銘先生), aged 52, was appointed as an executive Director on 3 August 2017. He graduated from 上海市應用技術學院 (transliterated as Shanghai Institute of Technology), the PRC, in fine chemicals (精細化工專業). He is a vice president of Jiangyin Youjia since February 2016.

During July 1988 to December 2000, Mr. DAI Ming worked for 江蘇永聯集團有限公司 (江陰農藥廠) (transliterated as Jiangsu Yonglian Group Co., Ltd. (Jiangyin pesticide factory)) last serving as deputy manager. He was the assistant general manager of 浙江綠得農藥化工有限公司 (transliterated as Zhejiang Green Pesticide Chemical Co., Ltd.) from February 2001 to January 2003.

Mr. DAI Ming was the general manager of 浙江捷馬化工集團連雲港寶誠化工有限公司 (transliterated as Zhejiang Jie Ma Chemical Group Lianyungang Baocheng Chemical Co., Ltd.) from February 2011 to December 2012 and 靖江市江陽精細化工有限公司 (transliterated as Jingjiang Jiangyang Fine Chemical Co., Ltd) from March 2013 to December 2015.

He is the elder cousin of Mr. DAI Jian, who is executive Director, Chairman and Chief Executive Officer.

Biographies Of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. SONG Dan (宋丹小姐), aged 34, was appointed as an independent non-executive Director and a member of the audit committee on 3 March 2016, and a member of the remuneration committee on 14 January 2017. She graduated from the Xiangtan University, Xiangtan City, Hunan Province, the PRC. She is a degree holder in financial management. She is currently the chairman of 深圳市中金小額貸款有限公司 (transliterated as Shenzhenshi Zhongjin Xiaoe Daikuan Company Limited.) Ms. SONG had served as the president of retail banking in China Merchants Bank Company Limited (招商銀行股份有限公司). She has in-depth knowledge on financial and banking businesses.

Mr. GUO Biao (郭彪先生), aged 35, was appointed as an independent non-executive Director, the chairman of the remuneration committee, and a member of each of the audit committee and the nomination committee on 3 March 2016. He has a master of business administration in finance from The Chinese University of Hong Kong, master degree in management from University of South China, the PRC, and a bachelor degree in management from the Henan University of Economics & Laws, the PRC. He has extensive experience in financial services industries. Mr. GUO is currently the deputy general manager in SSIF Asset Management Limited (山證國際資產管理有限公司).

Mr. CHAN Foon (陳歡先生), aged 45, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee on 14 January 2017. He holds a bachelor of science degree from the University of Southern California in the United States of America and is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. CHAN has been an independent non-executive director of China Crystal since July 2012. He is currently the financial controller and joint company secretary of Li Heng Chemical Fibre Technologies Limited. He had extensive audit experience with two international audit firms and a listed company in Hong Kong.

SENIOR MANAGEMENT

Mr. LIU Winson Wing Sun (廖永燊先生), aged 43, is a director of ABO Group Limited ("ABO") and Sing Fat Construction Company, Limited ("Sing Fat Construction"), both being subsidiaries of the Company. He has over 14 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. LIU is primarily responsible for the overall management, strategic planning and business development of the Group's building maintenance and renovation services. He is also the safety director who is responsible for overseeing all occupational health, safety and environmental matters of the Group. Mr. LIU also acts as one of the construction managers for project execution in respect of some of the Group's projects. Mr. LIU joined the Group as a works coordinator in March 2002 and has been promoted to safety director in November 2005 and construction manager in January 2009. Prior to joining the Group in March 2002, he worked as an assistant valuer at the Associated Surveyors and Auctioneers Limited, a company principally engaged in property valuation and auctioneering services where he was responsible for providing assistance in property valuation and preparation of valuation reports.

Mr. LIU graduated from the University of Technology, Sydney in Australia in May 1999 with a bachelor of land economics. He further obtained his diploma in construction, a distance learning course organised by the College of Estate Management in England in February 2004 and a professional diploma in corporate governance and directorship from the Hong Kong Institute of Directors in November 2008. Mr. LIU was admitted as an incorporate member of the Chartered Institute of Building in June 2004 and a member of the Australian Institute of Building in September 2007. He was admitted as a member of the Hong Kong Institute of Construction Managers in January 2009 and an associate of the Australian Property Institute in February 2011.

Biographies Of Directors and Senior Management

Mr. KAN Yiu Keung (簡耀強先生), aged 51, is a director of ABO and Sing Fat Construction and also the project director of the Group who is responsible for overseeing all projects with public sector customers, project management and monitoring the progress of all projects for public sector customers. He has over 31 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. KAN is primarily responsible for general management and day-to-day operation of the Group. Mr. KAN joined the Group as a project director in September 2000. Prior to joining the Group, he worked as a director of Rich China Engineering Limited which is a subcontractor for building maintenance projects from April 1998 to August 2000. From May 1994 to March 1998, he worked as a director of Jetkind Construction Engineering Limited which is also a subcontractor for building maintenance projects. From March 1991 to April 1994, he worked in Shing Kai Engineering Company as a site agent where he was mainly responsible for on-site management of building maintenance projects. From August 1985 to February 1991, he worked as a foreman for Shing Kai Engineering Company. Mr. KAN completed his secondary education and graduated from Sham Shui Po Secondary School in July 1985. He completed Site Safety Management Course and Accident Prevention Course organised by the University of Hong Kong in October and November 2004. Mr. KAN was admitted as a corporate member of the Asia Institute of Building in April 2009.

Mr. CHAN Lo Kin (陳勞健先生), aged 66, is a director of ABO and Sing Fat Construction and also the administration director of the Group who is the management representative responsible for managing our management system in accordance with ISO9001:2008 standards and requirements. He has over 38 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. CHAN is primarily responsible for day-to-day operation of the Group. Mr. CHAN joined the Group as a director of Sing Fat Construction in March 1992. Prior to joining the Group, he worked as a director of Chuen Shing Construction Company Limited from February 1991 to August 2007. From October 1978 to January 1991, he worked as a general manager responsible for accounting matters of a sole proprietorship established in Hong Kong, which was principally engaged in metal works engineering. Mr. CHAN graduated from Yuet Wah College in Macao in June 1976.

Mr. CHEUNG Yat Ming (張日銘先生), aged 56, is the authorised signatory technical director and construction engineer of the Group. Mr. CHEUNG joined the Group as a technical director and construction engineer in August 1999. He has over 17 years of experience in construction engineering. Mr. CHEUNG is responsible for overseeing the engineering operations and the technical aspect of various projects. Prior to joining the Group, he worked as an engineer at Wong & Ouyang (Civil-Structural Engineering) Limited where he was responsible for engineering design work for various projects undertaken from September 1994 to December 1998. Mr. CHEUNG graduated from the University of Sheffield in England in July 1994 with a bachelor of engineering. Mr. CHEUNG is a registered professional engineer of the Hong Kong Engineers Registration Board. He is also a member of the Hong Kong Institution of Engineers.

Biographies Of Directors and Senior Management

Mr. LEE Yiu Hung (李耀雄先生), aged 56, is the safety manager of the Group. He has over 17 years of experience in safety management in construction projects. Mr. LEE is responsible for implementing and developing the safety and environmental management system and monitoring compliance of occupational health, safety and environmental compliance. Mr. LEE joined the Group as a safety supervisor in May 2008 and was promoted to safety officer in May 2009. He was further promoted to safety manager in 2013. Prior to joining the Group in May 2008, he worked as a safety supervisor at Jet Consultant Limited where he was responsible for assisting safety officer to implement site safety measures and monitor day-to-day site safety management from August 2002 to May 2008. Mr. LEE graduated from China University of Geoscience, Wuhan in April 2004 with a diploma in safety engineering and completed the Professional Auditing Safety Scheme (Safety Auditor Training Scheme) organised by the Hong Kong Safety Management Association in November 2010. Mr. LEE is a safety officer and safety auditor registered with the Labour Department.

COMPANY SECRETARY

Mr. FUNG Nam Shan (馮南山先生), aged 41, appointed as a company secretary and authorised representative on 3 March 2016. He holds a bachelor's degree in accounting awarded by the University of Newcastle, Australia. Mr. FUNG has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

Currently, Mr. FUNG is an independent non-executive director of Energy International Investment Holdings Limited, a company listed on the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 0353), the company secretary and authorised representative of Seamless Green China (Holdings) Limited, a company listed on GEM of the Stock Exchange ("GEM") (stock code: 8150) and China Investment Development Limited, a company listed on the Main Board (stock code: 204), the company secretary of each of Camsing International Holding Limited, a company listed on the Main Board (stock code: 2662) and Thelloy Development Group Limited, a company listed on the Main Board (stock code: 1546). He was the joint company secretary of Future Bright Mining Holdings Limited, a company currently listed on the Main Board (stock code: 2212) from 4 November 2015 to 14 October 2016. He was the company secretary and authorised representative of China Ocean Fishing Holdings Limited, a company listed on GEM (stock code: 8047) from 20 May 2015 to 16 May 2017.

Mr. FUNG served Zhejiang Chang'an Renheng Technology Co., Ltd., a company listed on GEM (stock code: 8139) as financial controller and secretary from April 2013 to March 2014. Mr. FUNG was employed as financial controller and company secretary of South China Assets Holdings Limited, a company currently listed on GEM (stock code: 8155) from February 2010 to April 2013. Mr. FUNG served for a reputable property development group as financial controller from 2009 to 2010. He has worked for PricewaterhouseCoopers as an audit manager for several years which he accumulated experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels and also a member of its charity walk organising committee since 2012.

Directors' Report

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated on 17 September 2014 in the Cayman Islands. The Company is domiciled in Hong Kong and has its principal place of business at Room 1402, 14/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and its subsidiaries now comprising the Group are principally engaged in building maintenance and renovation service and sales of visible light photocatalysis products. The activities of its subsidiaries are set out in note 38 of notes to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 56 of this annual report.

The Board does not recommend any payment of a final dividend for the Year (2017: nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company ("AGM") to be held on Tuesday, 4 December 2018, the register of members of the Company will be closed from Thursday, 29 November 2018 to Tuesday, 4 December 2018, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 3 December 2018.

RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Group during the Year are set out in consolidated statement of changes in equity on page 59 of this annual report.

Distributable reserves of the Company as at 30 June 2018 amounted to approximately HK$40.4 million (2017: HK$45.1 million).

Directors' Report

DONATIONS

During the Year, the Group made charitable and other donations of HK$58,000 (2017: HK$20,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the notes to consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Year are set out in note 38 to the notes to the consolidated financial statements.

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2018 was 5,594,000,000 ordinary Shares of HK$0.002 per Share.

Details of movements in the share capital of the Company during the Year are set out in note 27 to the notes to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new Share on a pro-rata basis to existing Shareholders.

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association (the "Articles"), all the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, cost, charges, losses, damages and expenses which they shall or may incur or sustain. In addition, the Company has arranged for appropriate Directors and officers liability insurance to indemnify its Directors and officers against liabilities arising out of legal action on corporate activities.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 18 December 2014, the Company adopted a share option scheme (the "Scheme") to attract and retain high quality staff, to provide additional incentive to employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time. The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the 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 in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the 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 Share.

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

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 18 December 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

The total number of shares available for issue under the Scheme is 559,400,000 shares, representing 10% of the issued share capital of the Company as at the date of this annual report.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of each reporting period.

Directors' Report

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 124 of this annual report.

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

During the Year and up to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

DIRECTORS

The Directors during the Year and up to the date of this annual report are:

Executive Directors
Mr. DAI Jian (Chairman and Chief Executive Officer)
Mr. DAI Ming (appointed on 3 August 2017)
Mr. DAI Jialong (resigned on 3 August 2017)

Independent non-executive Directors
Mr. CHAN Foon
Mr. GUO Biao
Ms. SONG Dan

Pursuant to article 108(a) of the Articles, Mr. CHAN Foon and Ms. SONG Dan shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and all of them, being eligible, have offered themselves for re-election.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to the Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with all Directors for a term of three years which shall be continuing unless and until terminated by either party thereto giving to the other not less than six months written notice.

Save as disclosed above, none of the Directors has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are determined by the remuneration committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the Year.

Senior management's remuneration of the Group during the Year falls within the following bands:

	No. of individuals
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,500,000	3

Details of the emoluments of the Directors and five highest paid individuals during the Year are set out in notes 11 and 12 to the notes to consolidated financial statements.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Year.

CONTROLLING SHAREHOLDERS' AND DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

There were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries and fellow subsidiaries was a party and in which a Director and the Director's connected party or a controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the Year and up to the date of this annual report or at any time during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than those disclosed under the paragraphs headed "Share Option Scheme" and "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" in this section, at no time during the Year there were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective close associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement whose objectives are to enable a Director to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and senior management of the Group as at the date of this annual report are set out on pages 15 to 18 of this annual report.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Mr. DAI Jian	Interest of a controlled corporation (Note)	3,184,675,000	56.93%

Note: These shares are held by Smart Paradise International Limited ("Smart Paradise"). Smart Paradise is owned as to 100% by Mr. DAI Jian and hence Mr. DAI Jian is deemed to be interested in 3,184,675,000 shares held by Smart Paradise under the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of 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 interest or short positions which they had taken or deemed to have under such provisions 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 the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) have interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company referred to therein:

Name	Capacity/Nature	Number of Shares held/ interested	Percentage of interest
Smart Paradise	Beneficial owner	3,184,675,000	56.93%

MAJOR SUBCONTRACTORS AND CUSTOMERS

During the Year, the largest subcontractor accounted for approximately 20.2% (2017: 22.6%) of the Group's total costs of services and the five largest subcontractors accounted for approximately 61.6% (2017: 62.2%) of the Group's total costs of services. The largest customer accounted for approximately 74.5% (2017: 71.3%) of the Group's total revenue and the five largest customers accounted for approximately 94.9% (2017: 98.8%) of the Group's total revenue.

To the best of the Directors' knowledge, none of the Directors, or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) and their respective close associates has any interests in the Group's five largest subcontractors and customers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group are set out in note 36 to the notes to consolidated financial statements and are fully exempted from the reporting annual review, announcement and independent shareholders' approval requirements under chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the percentage of public float as prescribed in the Listing Rules for the Year and up to the date of this annual report.

BUSINESS REVIEW

The business review of the Group for the Year is included in the section headed "Management Discussion and Analysis" of this annual report.

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Year and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group are set out in the section headed "Management Discussion and Analysis" in this annual report.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 39 to 49 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The environmental policies and performance of the Group are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and has taken efforts to minimise the risks of non-compliance with such requirements. The Group has on-going review on the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material breach on non-compliance with the laws and regulations that have a significant impact on the business and operations of the Group.

CHANGE OF DIRECTORS

Appointment of Director

Mr. DAI Ming was appointed as an executive Director with effect from 3 August 2017.

Resignation of Director

Mr. DAI Jialong resigned as an executive Director with effect from 3 August 2017.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There is no important events effecting the Group which have occurred since the end of the financial year.

AUDIT COMMITTEE

The audit committee had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the Year.

AUDITOR

The consolidated financial statements have been audited by SHINEWING (HK) CPA Limited, who shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution to re-appoint SHINEWING (HK) CPA Limited as the auditor will be submitted for Shareholders' approval at the forthcoming AGM.

There has been no change in the auditor of the Company for the preceding three years.

On behalf of the Board

Mr. DAI Jian
Chairman

Hong Kong, 27 September 2018

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

1.1. Reporting Period

This Environmental, Social and Governance ("ESG") Report illustrates and highlights the environmental and social performance of the Group from 1 July 2017 to 30 June 2018 (the "Reporting Period") unless otherwise stated.

1.2. Reporting Scope

This ESG report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities including building maintenance and renovation projects in the construction sector of Hong Kong and the manufacturing of visible light photocatalysis products in the PRC. This report demonstrates the ESG performance of the Group's business operation in achieving sustainable development for the future.

1.3. Reporting Framework

This ESG report follows the disclosure requirements as set out in the ESG Reporting Guide ("ESG Guide") contained in Appendix 27 to the Listing Rules and has complied with "comply or explain" provision in the Listing Rules.

Key Performance Index ("KPI") Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the section of this report
A Environmental Performance	Environmental Performance
A1 Emissions Policies and Compliance	Environmental Performance Emission Policies and Compliance Minimising Emissions
A2 Use of Resources	Minimising Emissions Use of Natural Resources and the Environment
A3 The Environment and Natural Resources	Environmental Performance Use of Natural Resources and the Environment
B Social Performance	Social Performance
B1 Employment Policies and Compliance	Employment Policies and Compliance
B2 Health and Safety Policies and Compliance	Occupational Health and Safety Policies and Compliance
B3 Development and Training Policies	Human Resource Development and Training Policies

Reference KPI of the ESG Guide	Corresponding KPI in the section of this report
B4 Labour Standards	Employment Policies and Compliance
B5 Supply Chain Management	Supply Chain Management
B6 Product Responsibility	Product Responsibility and Quality Assurance Process Protecting Intellectual Property Rights Consumer Data Protection and Privacy Policies
B7 Anti-corruption Policies and Compliance	Anti-corruption Policies and Compliance Conflict of Interest Prevention Preventive Measures and Whistle-blowing Procedures
B8 Community Investment	Community Care

2. ENVIRONMENTAL PERFORMANCE

One of the Group's principal operating subsidiaries is engaged in building maintenance and renovation service solutions with maintenance and refurbishment in Hong Kong. The manufacturing and processing of visible light photocatalysis products by graphene photocatalytic technology in the PRC is another major business which was newly acquired, and both businesses' related environmental performance will be disclosed in this report.

The Group has been developing and implementing environmental management policies in improving the environmental awareness of its employees and its overall environmental performance. The Group is committed to minimising the environmental impacts while maintaining a high quality of services to its customers.

2.1. Emission Policies and Compliance

The Group was in strict compliance with the Environmental Protection Law of the PRC and the following environmental protection laws of Hong Kong in air (dust and residues) and water emission, solid waste management and noise pollution.

Construction works must comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Construction Dust) Regulation and Waste Disposal Ordinance.

In addition, the Group obtained various international certifications to signify its environmental commitment in the development of its business in a sustainable manner. During the Reporting Period, the Group was not aware of any material non-compliance issue in relation to the environmental laws.

International Certifications	Environmental related Laws and Regulations	
	Hong Kong	PRC
ISO9001	Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)	The Environmental Protection Law of the PRC
ISO14001	Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong)	The Energy Conservation Law of the PRC
OHSAS18001	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)	The Environmental Impact Assessment Law of the PRC
	Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)	The Water Pollution Prevention Law of the PRC
	Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)	The Solid Waste Pollution Prevention Law of the PRC
	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)	
	Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)	

2.2. Minimising Emissions

Air Pollutants Emission

During the demolition and renovation process, dust generated by various activities could make a significant contribution to air pollution. High levels of dust, combined with some air pollutants, can cause respiratory problems to the employees at work and the members of the public. In addition, volatile organic compound ("VOC") is the major molecule emitted or evaporated from the liquid or solid materials (e.g. solvent, paint or other organic materials) used for renovation related works.

The manufacturing and processing of visible light photocatalysis products by graphene photocatalytic technology require the use of reagent. During the deposition of graphene material, nano-scale graphene material and reagent used may possibly be emitted to the working environment in the form of VOC or respirable suspended particulates ("RSP"). Hence, the manufacturing plant is located in designated industrial area with appropriate ventilation system and personal protective equipment ("PPE") like gowns and face masks to protect the employees.

On the other hand, the petroleum or diesel used for motor vehicles, especially the diesel powered, emit a considerable amount of RSP and nitrogen dioxide (“NO_2”) into the atmosphere. Emission control is essential to reduce the impacts to the environment. To mitigate the air pollutants emission, the Group will continue to consider the possibility of using more energy efficient vehicles in phases and to avoid the additional transport incurred from the use of non-local suppliers.

Carbon footprint — Greenhouse Gas Emissions

Carbon footprint generated from the Group is defined as the total amount of direct and indirect emission of greenhouse gas (“GHG”) expressed in terms of equivalent amount of carbon dioxide (“CO_2”) emission. Hazardous and non-hazardous waste generated from its operations will also be discussed. To reduce GHG emissions, the Group has energy saving practice in place by switching off unused air-conditioning, lighting and equipment.

Comprising the Group’s headquarters, offices and manufacturing plant, the Group’s operations cover a total floor area of 35,876.20 m^2 (2017: 400 m^2) and was accounted for 100% of its GHG emissions.

There were 773.96 tonnes of carbon dioxide equivalent (tCO_2-e) GHG (mainly carbon dioxide, methane and nitrous oxide) (2017:154.11) emitted from the Group’s operation. With the total operation area of 35,876.20 m^2, the total annual emission intensity due to energy usage was 0.022 tCO_2e/m^2 (2017: 0.385 tCO_2e/m^2). The major source of the GHG emissions was from the consumption of electricity and the usage of petroleum and diesel by the Group’s fleet.

The following table highlights the carbon footprint of the Group:

Scope	Sources of GHG emissions	Construction	Manufacturing	Total
		GHG* emissions (in tCO_2e)		
1	Mobile – Petroleum & diesel consumed by the Group’s motor vehicles	266.50	0	266.50
2	Purchased electricity	42.42	436.64	479.06
3	Disposal of paper waste	15.63	0	15.63
	Fresh water processing	0.03	12.72	12.75
	Sewage water processing	0.01	0	0.01
	Total GHG emissions	**324.60**	**449.36**	**773.96**

* The GHG is calculated according to the ‘Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong’ jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

As seen from the following table showing the year on year comparison, the manufacturing business of the Group has brought an immense effect to the GHG emissions of the Group:

		2018		2017		
Scope	**Sources of GHG emissions**	**GHG emissions (in tCO_2e)**	**Distribution**	GHG emissions (in tCO_2e)	Distribution	**% change**
1	Mobile — Petroleum & diesel consumed by the Group's motor vehicles	**266.50**	**34.43%**	100.30	65.08%	**165.70%**
2	Purchased electricity	**479.07**	**61.90%**	35.88	23.28%	**1,235.20%**
3	Disposal of paper waste	**15.63**		17.89		
	Fresh water processing	**12.75**	**3.67%**	0.03	11.64%	**58.34%**
	Sewage water processing	**0.01**		0.01		
	Total GHG emissions	**773.96**		154.11		**402.21%**
	Carbon emission intensity	**0.022 tCO_2e/m^2**		0.385 tCO_2e/m^2		**–94.29%**

Hazardous Waste

One important chemical property of graphene is persistency, since a persistent substance degrades very slowly in the environment, and as a hydrophobic (water repelling) substance, graphene is more likely to become biomagnified, which means accumulated or increase in concentration could pose a risk to the food chain, and therefore to human health. However, there are still many queries and knowledge gaps waiting to be studied and investigated in order to understand the effects of graphene to the environment. Nevertheless, the Group is fully aware of the risks associated with the relevant process and the materials were purchased from suppliers in compliance with government regulations. The Group has also taken a precautionary approach to handle graphene material-containing waste, such that the waste was disposed of and treated as hazardous waste.

Non-hazardous Waste

The environmental impact from the waste generated by construction and demolition is the most significant and critical emission throughout the Group's operations. The overall impact not only relates to the amount of waste generated, but also relates to the impact or nuisance created from the working process. Waste including packaging materials, flooring (vinyl or wood), drywall such as wall board, gypsum or plastic board, concrete waste, carpeting materials is difficult to be recycled as they are generally collected together without source separation and end up being disposed of at the landfill. However, the Group would seek for more sustainable waste management plan to control, record, and monitor the overall waste generation and disposal.

During the reporting period, there were over 8,000 tonnes of construction waste being transferred to government waste disposal facilities. The following table summarized the quantity and destination of the waste and the year on year comparison.

Government waste disposal facilities	Types of construction waste accepted	Weight (in tonnes)		Variance
		2018	2017	
Public fill reception facilities	Consisting entirely of inert construction waste+	**1,569.40**	5,329.10	**−70.55%**
Sorting facilities	Containing more than 50% by weight of inert construction waste+	**46.70**	131.00	**−64.35%**
Landfills	Containing not more than 50% by weight of insert construction waste+	**6,393.70**	2,046.80	**212.38%**
	Annual Total	**8,009.80**	7,506.90	**6.70%**

Paper is another non-hazardous waste generated from office administration, it was recorded that 27,600.00 kg of paper (2017: 3,727.00 kg) was used. Paper waste was collected by the building management in Hong Kong for recycling and disposal. The employees have been using digital technology to replace papers and when paper is needed for printing purpose, double sided printing is in practice and employees always recycle single side printed papers for reuse.

In addition, the safety committee of the Group has been actively monitoring and managing construction waste and preventive measures are in place to minimize the adverse effects from air pollutants emission. Good ventilation in the project location and in the manufacturing plant, PPE for employees, and VOC related material residue and waste were discarded with caution.

2.3. Use of Natural Resources and the Environment

The Group's operations do not involve in production-related air, water and land pollutions which are regulated under related environmental laws and regulations. As the manufacturing operations are taken place in industrial area, most of the emissions and waste generated from the plants were well treated before they were returned to the environment. Therefore, the direct impact from the Group's activities towards the environment and natural resources is minimal.

Energy Consumption — Electricity

The total electricity consumed was 607,337.00 Kilowatt-hour ("kWh") (2017: 66,440.33 kWh). With the total operation area of 35,876.20 m^2, the energy intensity was 16.93 kWh/m^2 (2017: 166.10 kWh/m^2). The Group's energy consumption was mainly from electricity used. In view of the scarcity of resources, the Group has advocated various energy conservation measures including the use of energy efficient equipment and appliances, and the practice of switching off unused air-conditioning, lighting and equipment. In order to strengthen energy saving awareness of employees, energy saving slogans have been posted at the entrances and power control switches to encourage energy saving.

Fossil Fuel Consumption — Petroleum and Diesel

There are several motor vehicles being used for transportation purposes. A total of 7,151.79 litres of petroleum and 95,114.08 litres of diesel were used for the Group's own fleet.

Water Consumption

The total water consumption was 30,078.00 cubic metre ("m^3"). Nevertheless, the Group shall actively include water conservation measure in the project locations to enhance water efficiency and save this precious natural resource on earth.

3. SOCIAL PERFORMANCE

3.1. Employment Policies and Compliance

The Group complies with the laws and regulations relating to employment, child and forced labour practices. Employment of child labour and forced labour is prohibited. As at 30 June 2018, the total workforce of the Group was 129 (2017: 110) with a combination of 101 men (2017: 85) and 28 women (2017: 25) and the following age distribution.

	18–25	**26–35**	**36–45**	**46–55**	**56 and above**
2018	**5.43%**	**21.70%**	**20.93%**	**19.38%**	**32.56%**
2017	5.45%	20.91%	24.55%	17.27%	31.82%

Through the years of experience in the industry, the Group understands that its service quality and competitiveness are highly dependent on its employees; thus, equal opportunities are provided to employees in respect of recruitment, training and development, job advancement, and remuneration and benefits to ensure a diverse and inclusive workplace. Employees' remuneration is structured to encourage a sustainable workforce and to attract, retain, and recognize employees with a wide range of additional benefits such as attendance award, length of service bonus, medical allowances, meal and shift allowances, and performance bonus.

Recruitment of employees is strictly abided by the hiring procedures and guidelines of the Group so that suitable talents are recruited in accordance with relevant laws, the job requirement and candidates' expectation for a fair, happy and sustainable workforce. In the prevention of child labour, the personal identity document of the applicant will be checked to verify the age.

The Group's employee handbook is designed to communicate important regulations and work ethics surrounding employment, benefits and welfare, occupational health and safety guidelines, and obligation and responsibilities. It is an essential tool in helping to define the expectations of both the management and the employees, and to protect them from unfair or inconsistent treatment and discrimination.

During the Reporting Period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration relating to labour disputes against the Group.

3.2. Occupational Health and Safety Policies and Compliance

The Group is committed to achieving a high standard of occupational health and work safety for employees and protecting others who may be affected by its activities. The Group has an employee health and safety policy in place to protect employees and to ensure the compliance with applicable occupational health and safety laws and regulations in Hong Kong and the PRC.

Safety induction training is provided to new employees and various occupational health and safety trainings are conducted to reinforce employees' safety awareness and practices; safety precautions tips are communicated through briefings, posters and notices to promote and enhance safety awareness and practice among employees and subcontractors. In addition, it is important for employees to be aware of the safety risks associated with relevant equipment in the manufacturing plant. Hence, the Group has provided training on the operating methodologies and procedures of equipment and products handling in accordance with the relevant manuals.

The Group provides the employees with relevant PPE such as gowns, gloves, eyewear and face masks for their specific duties and personal protection. Emergency response plan and procedures are communicated regularly to guide employees on the identification and assessment of potential hazard or risk and emergency evacuation drills are scheduled throughout the year to ensure the readiness of the employees in responding to any type of crisis.

A safety committee is established to review policies and enforce safety compliance and standard. The group also conducts working environment condition evaluation, safety inspection and assessment, and noise and emission detection periodically ensure its safety performance. During the reporting period, the Group has not violated any related safety and health ordinance and provisions.

Occupational Health and Safety Data

	2018	2017
Number of work-related fatalities	**0**	0
Work injury cases with leave of absence >3 days	**0**	1
Lost days due to work injury	**0**	76
Work Injury rate	**0**	9.09

3.3. Human Resource Development and Training Policies

The Group understands that human resource is its valuable asset and the knowledge, experience and skills of employees are important and critical to its continued success and growth. To encourage and assist employees in developing their potential, the Group continues to offer training programs and on-the-job trainings based on employees' willingness, potential, competence and business development needs. Taken into consideration the needs of employees in various operations and departments, different skill based, induction, safety, equipment operation trainings are provided during the year to enhance employees' skills in discharging their duties and future career development.

3.4. Supply Chain Management

In order to manage and mitigate the environmental and social risks in the supply chain, various suppliers of products and materials as well as subcontractors are engaged for goods and services. To make sure goods and services are procured in an honest, competitive, fair, and transparent manner that delivers the highest cost performance, suppliers and subcontractors are selected based upon rational and clear criteria.

During the Reporting Period, there were 50 suppliers (including materials and subcontractors) in Hong Kong and 5 suppliers in the PRC and they are listed in the Group's approved suppliers and subcontractors list. The Group's project management team would review the list and provide updates to its employees on an annual basis. The team also monitors, audits and manages processes regarding materials selection, quality management system, and work performance to ensure its supply chain is effective and efficient that guarantees the quality and standard of its products and service provision. The Group also has a systematic operation and supplier management plan; thus, the preparation of tenders, projects execution, suppliers and subcontractor's selection, appointment and management, procurement of supplies, materials and equipment are being supervised and monitored.

Subcontractors' Engagement

As a main contractor, the Group maintains good relationship with its subcontractors for stable labour supply and mobility. Subcontractors are assessed based upon selection criteria including reputation, financial stability, quality performance, time performance, price and payment terms. The Group adopts the following internal measures to control subcontractors' quality of work and compliance of occupational health, safety, environmental rules and regulations:

(a) Clear management structure between project management team and subcontractors;

(b) Prevention of unauthorized multi-level subcontracting;

(c) Constant monitoring and inspection;

(d) Monthly review on subcontractors' work progress; and

(e) Performance assessment of subcontractors.

3.5. Product Responsibility

The Group's project quality is guaranteed by its solid experience in the industry and supported by its project management team structured for each project based on customer's requirement, contractual specification, and project size and complexity. Each project management team is comprised of 14 members responsible for overseeing the safety, quality, workmanship, project progress, pollution prevention, subcontractor's performance, materials consumption and customer's feedback.

To ensure service quality, service complaints and non-conformities issues are properly and timely handled by the Group's customer services department. A telephone hotline serviced by public relations representative is also available to handle complaints from the public during the project period. Complaints can also be filed by email and all complaints lodged will be responded within 24 hours. All complaints and enquires are reported to the project manager and quality manager for further follow up and preventive measures in the future. During the Reporting Period, there was no significant delay in the delivery of projects and no major complaints from customers regarding quality of works.

Protecting Intellectual Property Rights

The Group owns and registered several trademark, patents and domain names as they are important to its brand and corporate image. The Group understands and complies with the intellectual property ("IP") rights regulation. During the Reporting Period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

Quality Assurance Process

The Group strive to provide consistent quality services to customers, a quality assurance system in compliance with the ISO 9001 and ISO 14001 is established to manage projects' quality and safety performance. By focusing on the needs and expectations of customers, improving operations quality and customer services, a quality control plan is developed to monitor and inspect the safety performance of the project, review and assess subcontractor's progress and performance, and manage occupational health, safety, and environmental protection.

Consumer Data Protection and Privacy Policies

The Group properly manages and protects the data collected from its business partners, customers, employees and suppliers to ensure their privacy and confidentiality. The Group complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), all personal data collected are neatly organised and stored in computers and servers which are protected from access passwords. As stipulated in the Group's guidelines on ethical policies, employees are instructed of their responsibility to follow the confidentiality code on access to information and ensure the safekeeping of all personal and business data, trade secrets and proprietary information.

3.6. Anti-corruption Policies and Compliance

The Group is committed to conducting business by upholding its philosophy with the highest level of business ethics, honesty and integrity. As stipulated in the Group's ethical policy, all employees must adhere to the ethical consideration when engaging in the Group's business activities. To ensure fairness in competition, procurement and tendering process are conducted impartially to prevent bribery, corruption, and fraudulent practices. Corrupt and fraudulent practices including the action to offer, provide, obtain, receive an advantage or to avoid an obligation are strictly forbidden. The Group conducts periodic and systematic risk assessment and communicates related anti-fraud policies and procedures to employees on a regular basis.

Conflict of Interest Prevention

The Group's ethical policy requires its directors and employees to avoid the conflict between personal and financial interest and their professional official duties in the Group. They understand that using their positions in the Group or the Group's resources, properties and information to pursue opportunities by exercising positioning power to influence decisions or gain access to valuable information when dealing with third parties with his profession to achieve financial and personal gain is strictly prohibited.

Independent Financial Accounting Management

In order to maintain an accurate financial accounting management to protect the rights and interests of the Group's shareholders, an independent audit of the Group's financial information is conducted, and financial audit report is prepared by the independent external auditors every year.

Preventive Measures and Whistle-blowing Procedures

The Group's whistle-blowing procedure encourages and enables its employees to confidentially and anonymously report on observed and suspected non-compliance, misconduct, malpractices, conflict of interest and fraudulent activities through an electronic form, by telephone hotline or email. All whistle-blowing reports will be investigated independently by a senior person (Case Officer) nominated by the board of directors, any misconduct found will be brought to the attention of respective law enforcement authorities. During the Reporting Period, communications were made to ensure employees understand the Group's ethical guidelines, and there was no related legal case regarding corruption or fraudulent activities concluded against the Group.

3.7. Community Care

The Group is committed to conducting business in every aspect to minimize any potential environmental and social impact to its stakeholders such as its employees and the community members. Since construction projects are being conducted in every corner of Hong Kong, the Group will strive to be the role model in its industry sector by continuously considering the community and performing its works in an environmentally friendly and sustainable way. The Group will explore opportunities in future charity or community events to play a part in making a difference and strengthening the Hong Kong community.

4. CONSIDERING THE FUTURE OF SUSTAINABLE DEVELOPMENT

There are many challenges ahead in the sustainable development of the Group's business with the increasing concern over the impacts of construction activity on the environment. The construction industry is under severe pressure to adopt environmentally friendly approaches and environmental responsibility is getting favouritism to win in the industry's fierce competition. The Group will continue to leverage on its compliance and executive experience from its portfolio to promote sustainability in the industry.

5. STAKEHOLDERS' FEEDBACK

Your comments and feedbacks regarding the Group's performance and approach on ESG aspects are valuable to its continuous improvement. Please send your questions, suggestions and recommendations to info@yatsinghk.com.

CORPORATE GOVERNANCE CODE

The Board believes that good corporate governance is crucial to improving the efficiency and performance of the Group and to safeguarding the interests of its Shareholders.

The Company has adopted and complied with all code provisions (the "Code Provisions") as set out under the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Year save as disclosed in this report.

The Directors will carry out a regular review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS

Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry of all Directors and the relevant employees regarding any non-compliance with the Model Code during the Year, and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

Securities Transactions by Senior Management and Staff

The senior management and staff have been individually notified and advised about the Model Code by the Company.

BOARD OF DIRECTORS

Board composition

As at the date of this report, the Board comprises five Directors, including two executive Directors and three independent non-executive Directors ("INEDs"). The list of Directors is set out in the section headed "Directors' Report" of this annual report.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

Save as Mr. DAI Ming is the elder cousin of Mr. DAI Jian, the Directors have no financial, business, family or other material or relevant relationship with each other.

Corporate Governance Report

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of the Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

Role and function

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the each of the Company's audit committee ("Audit Committee"), nomination committee ("Nomination Committee") and remuneration committee ("Remuneration Committee"). Further details of these committees are set out in the paragraphs headed "Audit Committee", "Nomination Committee" and "Remuneration Committee" below.

Board meetings

The Board met regularly to discuss and formulate the overall strategy to monitor the operation and financial performance of the Group. Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held as at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications.

During the Year, a total of thirteen (13) Board meetings and two (2) general meetings were held and the attendance records are as follows:

Name of Directors	**Meetings attended/Eligible to attend**	
Executive Directors	**Board meetings**	**General meetings**
Mr. DAI Jian (Chairman and Chief Executive Officer)	13/13	2/2
Mr. DAI Ming (appointed on 3 August 2017)	12/12	2/2
Mr. DAI Jialong (resigned on 3 August 2017)	1/1	0/0
INEDs		
Mr. GUO Biao	13/13	2/2
Ms. SONG Dan	12/13	2/2
Mr. CHAN Foon	13/13	1/2

Independent non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has currently appointed three INEDs. All the INEDs have entered into services contracts for a term of three years.

All of the three INEDs have appropriate professional qualifications or accounting or related financial management expertise. Every Director is subject to retirement by rotation at least once every three years in accordance with the memorandum and articles of association of the Company.

The Company has received, from each of the INEDs, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his/her own relevant expertise to the Board and its deliberations. None of the INEDs has any business or financial interests with the Group nor has any relationship with other Directors.

Directors' training and professional development

In compliance with Code Provision A.6.5 of the CG Code, the Group has provided funding to all the Directors to participate in continuous professional development organised in the form of training and seminars to keep them refreshed of their knowledge and skills and understanding of the Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. The Company will also update the Directors of any material changes in the Listing Rules and corporate governance practices from time to time.

The training of each Director received during the Year is summarized as below:

Name of Directors	Reading materials regarding regulatory update and corporate governance matters	Attending training/ seminars relevant to the Company's business, Listing Rules compliance and risk management
Executive Directors		
Mr. DAI Jian (Chairman and Chief Executive Officer)	√	√
Mr. DAI Ming (appointed on 3 August 2017)	√	√
Mr. DAI Jialong (resigned on 3 August 2017)	√	√
INEDs		
Mr. GUO Biao	√	√
Ms. SONG Dan	√	√
Mr. CHAN Foon	√	√

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provisions A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Currently, Mr. DAI Jian serves as the Chairman and Chief Executive Officer of the Company. This dual roles constitutes a deviation from code provision A.2.1 of the CG Code. The Board is of the view that vesting both roles in Mr. DAI Jian will allow more effective planning and execution of business strategies. As all major decisions will be made in consultation with members of the Board, and there are three INEDs on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of porters within the Board.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has established the Nomination Committee on 17 December 2014. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group.

All of the Directors have entered into service contracts with the Company for a term of three years which shall be continuing unless and until terminated by either party thereto giving to the other not less than six months written notice.

In accordance with Article 108(a) of the Articles, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

In accordance with Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting and shall then be eligible for re-election.

In addition, pursuant to Article 114 of the Articles, the Company may by ordinary resolution remove any Director before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office only until the next general meeting of the Company and shall then be eligible for re-election.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to Shareholders upon request.

Audit Committee

The Audit Committee was established on 17 December 2014 in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the CG Code. The Audit Committee consists of Mr. GUO Biao, Ms. SONG Dan and Mr. CHAN Foon. Currently, Mr. CHAN Foon is the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee include:

- reviewing the Company's interim consolidated financial statements and annual consolidated financial statements;
- reviewing and monitoring the extent of the non-audit work undertaken by external auditors;
- advising on the appointment of external auditors; and
- reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems.

During the Year, the Board had no disagreement with the Audit Committee's view on the re-appointment of the independent auditor. This annual report has been reviewed by the Audit Committee.

During the Year, the Audit Committee held two meetings (i) to review the Group's financial results for the year ended 30 June 2017; (ii) to review the interim results for the period ended 31 December 2017; (iii) to oversee the audit process; (iv) to review the risk management and internal control system and (v) to recommend the re-appointment of independent auditor. Subsequent to the end of the Year and up to the date of this annual report, a meeting of the Audit Committee was held on 27 September 2018 to review the Group's financial result for the Year for submission to the Board for approval, review internal control and risk management system of the Group and make recommendation on the re–appointment of the independent auditor.

Attendance at meetings of the Audit Committee during the Year is as follows:

Name of Directors	Meetings attended/Eligible to attend
Mr. CHAN Foon (Chairman)	2/2
Mr. GUO Biao	2/2
Ms. SONG Dan	2/2

The external auditors were invited to attend the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

Nomination Committee

The Nomination Committee was established on 17 December 2014 with written terms of reference in compliance with the CG Code. The Nomination Committee consists of Mr. DAI Jian, Mr. CHAN Foon and Mr. GUO Biao. Currently, Mr. DAI Jian is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include:

- assisting the Board in discharging its responsibilities relating to the composition of the Board;
- evaluating the balance of skills, knowledge and experience on the Board;
- evaluating the size, structure and composition of the Board; and
- evaluating the retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board on such matters.

During the Year, two meetings of the Nomination Committee were held (i) to review the structure, size and composition of the Board; (ii) to review the board diversity policy; (iii) to assess the independence of the INEDs; (iv) to make recommendation to the Board on the proposal of re-appointment of Directors; and (v) to nominate executive Director. Subsequent to the Year and up to the date of this annual report, a meeting of the Nomination Committee was held on 27 September 2018 to review the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, assess the independence of the INEDs and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming AGM.

Attendance at meeting of the Nomination Committee during the Year is as follows:

Name of Directors	Meeting attended/Eligible to attend
Mr. DAI Jian (Chairman)	2/2
Mr. CHAN Foon	2/2
Mr. GUO Biao	2/2

Remuneration Committee

The Remuneration Committee was established on 17 December 2014 in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the CG Code. The Remuneration Committee consists of Mr. GUO Biao, Mr. CHAN Foon and Ms. SONG Dan. Currently, Mr. GUO Biao is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy on executive Director's remuneration;
- determining, the individual remuneration and benefits package of each of the executive Directors; and
- recommending and monitoring the remuneration of senior management below Board level.

During the Year, two meetings of the Remuneration Committee were held to review the remuneration of the Directors and senior management. Subsequent to the Year and up to the date of this annual report, a meeting of the Remuneration Committee was held on 27 September 2018 to review the performance and remuneration packages of individual Directors.

Attendance at meetings of Remuneration Committee during the Year is as follows:

Name of Directors	Meetings attended/Eligible to attend
Mr. GUO Biao (Chairman)	1/2
Mr. CHAN Foon	2/2
Ms. SONG Dan	2/2

Details of the Directors' remuneration are set out in note 11 to the notes to the consolidated financial statements.

During the year ended 30 June 2018, the remuneration of the senior management is listed below by band:

	Number of individuals
HK$ nil to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	1
HK$2,000,001 to HK$2,500,000	3

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

- to develop and review the policies and practices of the Company on corporate governance and make recommendations;
- to review and monitor the training and professional development of the Directors and senior management;
- to monitor and review the policies and practices of the Company in compliance with legal and regulatory requirements;
- to develop, monitor and review the code of conduct and compliance manual applicable to the Directors and employees; and
- to review the Company's compliance with the Code Provisions of the CG Code and disclosure in the corporate governance report.

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the CG Code disclosures requirements.

AUDITOR'S REMUNERATION

The Audit Committee of our Company is responsible for considering the appointment and re-election of the Company's external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to our Company. During the Year, the Group is required to pay to the external auditor, SHINEWING (HK) CPA Limited, for the audit service in relation to the audit of annual consolidated financial statements for the Year of approximately HK$1.3 million and non-audit services provided to the Group in respective to the agreed upon procedures for interim review of condensed consolidated financial statements for the period ended 31 December 2017 and in connection with the circular for the acquisition of 55% of equity interest in Jiangyin Grabene of approximately HK$0.3 million and approximately HK$0.9 million respectively, totaling HK$2.5 million in aggregate.

COMPANY SECRETARY

The company secretary, Mr. FUNG Nam Shan, was appointed by the Board on 3 March 2016. Mr. FUNG is nominated by an external service provider to assist in company secretarial affairs of the Company. Mr. FUNG's primary contact person at the Company is the Chairman of the Board, Mr. DAI Jian. Mr. FUNG has confirmed that he has taken no less than 15 hours of relevant professional training during the Year in compliance with Rule 3.29 of the Listing Rules. His biographical details are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the senior management are responsible for maintaining, improving and monitoring the risk management and internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

During the Year, the Board has conducted internal audit and regularly reviewed, through the Audit Committee, the Group's risk management and internal control system and is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control system. The Board has considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

According to the Stock Exchange's proposal on risk management and internal control under the CG Code applicable to accounting periods of listed companies commencing on or after 1 January 2016, the Board would oversee the Company's risk management and internal control system on an ongoing basis.

The Board considers that the Group has put in place adequate measures to perform the internal audit function at different aspects of the Group. The Audit Committee and the Board are satisfied with the effectiveness and efficiency of the risk management and internal control systems of the Group.

The Group has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Procedures such as limit access to inside information to those who need to know and requiring external parties to execute confidentiality agreement have been implemented by the Company to guard against mishandling of inside information. The Group also reminds those relevant personnel and other professional parties to preserve confidentiality of the inside information until it is publicly disclosed.

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

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements of the Group and to ensure that the consolidated financial statements of the Group are prepared in a manner which give a true and fair view of the state of affairs of the Group on a going concern basis and are in compliance with the relevant accounting standards and principals, applicable laws and disclosure provisions required of the Listing Rules. In presenting the consolidated financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present to a balanced, clear and understandable assessment of the position and prospects of the Group. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report of this annual report.

SHAREHOLDERS' RIGHTS

General meeting

The general meeting of the Company provides an opportunity for communication between the Shareholders and the Board. The Chairman of the Board, as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates are available to answer questions at the Shareholders' meetings. The auditor of the Company is also invited to attend the Company's AGM and is available to assist the Directors in addressing queries from the Shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditor's Report. Separate resolutions are proposed at the AGM on each substantial issue, including the election of individual Directors.

Notice of the AGM together with related papers are sent to the Shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded or otherwise required under the Listing Rules, in accordance with Article 72 of the articles of association of the Company (the "Articles of Association"). The Chairman will explain such rights and procedures during the AGM before voting on the resolutions.

Shareholders can make a requisition to convene an extraordinary general meeting ("EGM") pursuant to Article 64 of the Articles of Association of the Company. The procedures for the Shareholders to convene an EGM are as follows:

1. Any one or more Shareholders (the "Requisitionist") holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

2. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) shall be reimbursed by the Company.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal (the "Proposal") together his/her detailed contact information at the Company's principal place of business in Hong Kong at Room 1402, 14/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong in the same manner as set out above.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

— At least 21 days' notice in writing if the Proposal requires approval by way of a special resolution of the Company in an EGM or resolution of the Company in an AGM.

— At least 14 days' notice in writing if the Proposal requires approval in any other EGM.

Pursuant to Article 113 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 and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch 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.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company aims to promote and maintain effective communications with Shareholders and potential investors to ensure that the information of the Group is disseminated to Shareholders and potential investors in a timely manner and enable them to have a clear assessment of the enterprise performance.

Extensive information on the activities of the Group and financial position will be disclosed in the annual report, interim report, announcements and other corporate communications which will be sent to Shareholders and/or published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yat-sing.com.hk). The Directors, company secretary or other appropriate members of the senior management also respond to inquiries from the Shareholders and prospective investors promptly.

Procedures for Shareholders to direct enquiries to the Company

For matters in relation to the Board, Shareholders can contact the Company as follows:

Address: Room 1402, 14/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Email: info@yat-sing.com.hk
Tel: (852) 2386 0066
Fax: (852) 2563 0813

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered Shareholder can contact:

Branch Share Registrar and Transfer Office in Hong Kong
Union Registrars Limited
Address: Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
Tel: (852) 2849 3399
Fax: (852) 2849 3319

CONSTITUTIONAL DOCUMENTS

There had been no changes in the constitutional documents of the Company during the Year.

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF YAT SING HOLDINGS LIMITED
日成控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Yat Sing Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 56 to 123, which comprise the consolidated statement of financial position as at 30 June 2018, 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 2018, 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 (the "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 MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

RECOVERABILITY OF TRADE AND OTHER RECEIVABLES

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 77 to 78.

The key audit matter

As at 30 June 2018, the Group had significant trade and other receivables of approximately HK$262,659,000. In view of the significant balance which accounted for approximately 79% of total current assets, the recoverability of trade and other receivables posed significant risk on the Group's liquidity.

Besides, the impairment assessment of the trade and other receivables required a significant level of management judgement.

How the matter was addressed in our audit

Our audit procedures were designed to review the management's assessment of the indicators of impairment and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts.

We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. We have challenged the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and subsequent settlements received after year end, as well as the recent creditworthiness of each debtor.

REVENUE RECOGNITION IN RESPECT OF BUILDING MAINTENANCE AND RENOVATION SERVICES

Refer to note 5 to the consolidated financial statements and the accounting policies on page 70.

The key audit matter

In recognising revenue from building maintenance and renovation services, there is considerable management's judgement and estimation in assessing the value of each work order and contract. The actual value of completed works order and contract may be higher or lower than the estimates and will affect the Group's revenue recognised.

How the matter was addressed in our audit

Our audit procedures were designed to review the management's estimation on the revenue recognition.

We have obtained understanding on revenue recognition policy and on the design and implementation of respective internal control activities.

We have assessed whether the revenue recognised was reasonable through inspection of certificates or work orders issued by customers.

Independent Auditor's Report

ACQUISITION OF A SUBSIDIARY AND IMPAIRMENT OF GOODWILL

Refer to notes 17 and 35 to the consolidated financial statements and the accounting policies on pages 68 to 70.

The key audit matter	How the matter was addressed in our audit
In April 2018, the Group acquired 55% equity interest in Jiangyin Grabene Graphene Photocatalytic Technology Company Limited, a company incorporated in the People's Republic of China, at a consideration of RMB35,750,000. As a result of such acquisition, goodwill and contingent payable of approximately HK$10,234,000 and HK$12,900,000 were recognised respectively. We have identified the acquisition of the subsidiary and impairment of goodwill as a key audit matter because of its assets, liabilities and goodwill arising from the acquisition are significance to the consolidated financial statements and because the Group's determination of the fair value of assets and liabilities of the subsidiary, contingent payable and goodwill involved judgemental process which requires estimates concerning the methods and assumptions to be applied in determining the value-in-use and financial performance. The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to valuation model may result in significant financial impact.	Our audit procedures were designed to review the management's assessment of the financial performance of the subsidiary and challenge the reasonableness of the methods and assumptions used to estimate the fair value of identifiable assets and liabilities of the subsidiary and contingent payable as at completion date and assess the impairment of goodwill. We have assessed the valuation methodologies and compared significant inputs to third party sources. We have also challenged the key assumptions used by the external valuer, and assess the assumptions and critical judgement made by the management with reference to our knowledge.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, 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

Independent Auditor's Report

accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Hon Kei, Anthony.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong
27 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**466,583**	513,455
Cost of sales		**(411,677)**	(468,269)
Gross profit		**54,906**	45,186
Other income	7	**2,272**	1,475
Gain on fair value change on contingent payable		**130**	—
Gain on fair value change on held-for-trading investments		**—**	59
Administrative expenses		**(42,993)**	(39,784)
Finance costs	8	**(1,170)**	(40)
Profit before taxation		**13,145**	6,896
Income tax expenses	9	**(5,732)**	(5,511)
Profit for the year	10	**7,413**	1,385
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating a foreign operation		**(2,438)**	—
Total comprehensive income for the year		**4,975**	1,385
Profit for the year attributable to:			
Owners of the Company		**3,650**	1,313
Non-controlling interests		**3,763**	72
		7,413	1,385
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,309**	1,313
Non-controlling interests		**2,666**	72
		4,975	1,385
		2018	2017 (Restated)
Earnings per share (HK cents)			
— Basic and diluted	14	**0.07**	0.02

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**48,843**	6,110
Prepaid lease payments	16	**38,966**	—
Goodwill	17	**10,234**	—
Available-for-sale investment	18	**1,974**	1,974
Rental deposit	19	**191**	802
Pledged bank deposits	20	**3,727**	—
		103,935	8,886
Current assets			
Inventories	21	**1,540**	—
Prepaid lease payments	16	**893**	—
Trade and other receivables	19	**262,659**	233,846
Time deposits with original maturity over three months	20	**20,000**	—
Bank balances and cash	20	**46,143**	40,049
		331,235	273,895
Current liabilities			
Trade and other payables	22	**122,325**	105,618
Contingent payable	35	**6,629**	—
Obligations under finance leases — due within one year	23	**1,437**	1,124
Bank borrowings	24	**87,997**	—
Tax payable		**2,675**	2,293
		221,063	109,035
Net current assets		**110,172**	164,860
Total assets less current liabilities		**214,107**	173,746
Non-current liabilities			
Other payables	22	**—**	45
Contingent payable	35	**6,141**	—
Obligations under finance leases — due after one year	23	**151**	747
Bank borrowings	24	**2,146**	—
Long service payment obligations	25	**326**	326
Deferred tax liabilities	26	**1,989**	523
		10,753	1,641
Net assets		**203,354**	172,105

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	27	**11,189**	11,189
Reserves		**162,662**	160,353
Equity attributable to:			
Owners of the Company		**173,851**	171,542
Non-controlling interests		**29,503**	563
Total equity		**203,354**	172,105

The consolidated financial statements on pages 56 to 123 were approved and authorised for issue by the board of directors on 27 September 2018 and are signed on its behalf by:

DAI Jian	**DAI Ming**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Attributable to owners of the Company							
	Share capital HK$'000	Share Premium HK$'000	Other reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2016	11,189	77,790	(480)	–	81,730	170,229	491	170,720
Profit for the year	–	–	–	–	1,313	1,313	72	1,385
At 30 June and 1 July 2017	11,189	77,790	(480)	–	83,043	171,542	563	172,105
Profit for the year	–	–	–	–	3,650	3,650	3,763	7,413
Other comprehensive expense for the year								
Exchange differences arising on translation of a foreign operation	–	–	–	(1,341)	–	(1,341)	(1,097)	(2,438)
Total comprehensive (expense) income for the year	–	–	–	(1,341)	3,650	2,309	2,666	4,975
Acquisition of a subsidiary (Note 35)	–	–	–	–	–	–	26,274	26,274
At 30 June 2018	11,189	77,790	(480)	(1,341)	86,693	173,851	29,503	203,354

Note: Other reserve represented the difference between the nominal value of the issued share capital of Sing Fat Construction Company, Limited ("Sing Fat Construction") and ABO Group Limited ("ABO") in aggregate amount of approximately HK$9,310,000 over nominal value of the share capital of the Company in the amount of HK$9,790,000 issued in exchange thereof, pursuant to the group reorganisation.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		13,145	6,896
Adjustments for:			
Depreciation of property, plant and equipment		1,640	1,395
Finance costs		1,170	40
Amortisation of prepaid lease payments		156	—
Provision for impairment of other receivables		—	596
Gain on fair value change on contingent payable		(130)	—
Net gain on disposal of property, plant and equipment		(60)	(76)
Bank interest income		(41)	(37)
Gain on fair value change on held-for-trading investments		—	(59)
Operating cash flows before movements in working capital		15,880	8,755
Increase in inventories		(800)	—
Decrease (increase) in trade and other receivables		25,977	(16,251)
(Decrease) increase in trade and other payables		11,264	(9,151)
Cash generated from (used in) operations		52,321	(16,647)
Hong Kong Profits Tax paid		(2,433)	(7,294)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		49,888	(23,941)
INVESTING ACTIVITIES			
Net cash outflow from acquisition of a subsidiary	35	(23,563)	—
Placement of time deposits with original maturity over three months		(20,000)	—
Placement of pledged bank deposits		(3,727)	—
Purchase of property, plant and equipment		(388)	(846)
Proceeds from disposal of property, plant and equipment		529	213
Interest received		41	37
Proceeds from disposal of held-for-trading investments		—	3,940
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(47,108)	3,344
FINANCING ACTIVITIES			
New bank borrowings raised		13,000	—
Repayment of bank borrowings		(5,947)	—
Repayment of obligations under finance leases		(2,042)	(1,710)
Interest paid		(1,170)	(40)
Advance from a former related company		—	10,000
NET CASH FROM FINANCING ACTIVITIES		3,841	8,250
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		6,621	(12,347)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		40,049	52,396
Effect of foreign exchange rate changes		(527)	—
CASH AND CASH EQUIVALENTS AT THE ENG OF THE YEAR		46,143	40,049

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

1. GENERAL

Yat Sing Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At the date of these financial statements, its ultimate and immediate holding company is Smart Paradise International Limited, a company incorporated in the British Virgin Islands (the "BVI"), which is beneficially owned by Mr. Dai Jian. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in Note 38.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Company's functional and presentation currency. The functional currency of the Group's major subsidiary established in the People's Republic of China (the "PRC") is Renminbi ("RMB").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 — 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

Amendments to HKAS 7 Disclosure Initiative (Continued)

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financial activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in Note 34. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in Note 34, the directors of the Company (the "Director(s)") considered that these amendments have had no impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensations[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective date not yet been determined.

The Directors anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") (Continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors have performed a preliminary analysis of the Group's financial instruments as at 30 June 2018 based on the fact and circumstances existing at that date. The Directors have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

For the available-for-sale equity investment that is not held for trading and is currently stated at cost less impairment, the Group has made an irrevocable election to present in other comprehensive income the changes in fair value.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

(b) Impairment

The Directors expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for rental deposit, trade and other receivables, pledged bank deposits, time deposits with original maturity over three months and bank balances and increase the amount of impairment allowance recognised for these items.

The Directors will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the Directors expect that apart from the effects as indicated above, the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are provision of building maintenance and renovation services and sales of visible light photocatalysis products. Revenue from building maintenance and renovation services are recognised when services are provided. Revenue from sales of visible light photocatalysis products are recognised when titles have been passed to the customer. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The Directors have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the Directors expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 30 June 2018.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") (Continued)

HKFRS 16 Leases (Continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of approximately HK$4,013,000 as disclosed in Note 32, which represent operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities. The Directors expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for contingent payable that is measured at fair value, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved when the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Business combinations

Business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except deferred tax assets or liabilities arising from the assets acquired and the liabilities assumed in the business combinations are recognised and measured in accordance with HKAS 12 Income Taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interest that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration that is within the scope of HKAS 39 is measured at fair value at each reporting date, and changes in fair value are recognised in profit or loss in accordance with HKAS 39. Other contingent consideration that is not within the scope of HKAS 39 is measured at fair value at each reporting date and changes in fair value are recognised in profit or loss.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from building maintenance and renovation services are recognised when services are provided.

Revenue from the sale of goods is recognised when the goods are delivered and titles have been passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue recognition for rental income is set out in the section headed "Leasing" below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Retirement benefits cost and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits cost and termination benefits (Continued)

The Group's net obligations in respect of long service payment to its employees on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of other short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income 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 each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings (classified as finance leases) held for use in supply of goods or services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, less their residual values over their estimated useful lives, using the straight line method for leasehold improvement and using diminishing balance method for the other property, plant and equipment. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid lease payments

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to the consolidated statement of profit or loss and other comprehensive income over the lease term using the straight-line method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and bank deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposit, trade and other receivables, pledged bank deposits, time deposits with original maturity over three months and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated as available-for-sale or is not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of rental deposit and trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a rental deposit or trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

The Group's financial liabilities are classified into either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are designated as at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

Financial liabilities at FVTPL (including contingent payable) are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included as a separate line item in profit or loss. Fair value is determined in a manner described in Note 29.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Impairment losses on tangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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 the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGUs to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation can be identified.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) 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 had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Fair value measurement

When measuring fair value except for the Group's share-based payment transaction, leasing transactions, net realisable value of inventories and value in use of tangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Contingent liabilities in respect of litigation claims

Contingent liabilities arising from litigation claims have been assessed by the management with reference to legal advice and historical records. The Directors consider that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to legal advice and historical records.

Key sources of estimation uncertainty

The followings are 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.

Revenue recognition in respect of building maintenance and renovation services

For some contracts, income is recognised based on management's estimation of the value of each works order. Thereafter, customers would undertake detailed assessment of all completed works orders before finalisation of the contracts which normally last for three years. During the assessment process, the actual value of completed works orders assessed by the customers may be higher or lower than the estimates and this will affect the Group's revenue recognised.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Valuation assumptions for the fair value of identifiable assets and liabilities of a subsidiary and contingent payable at the date of acquisition

Determining the fair value of identifiable assets and liabilities of a subsidiary and contingent payable at the acquisition date require the Directors to determine the appropriate valuation techniques and inputs for fair value measurements. The Group engages an independent qualified professional valuer (the "Valuer") to perform the valuation. The Directors work closely with the Valuer to establish the appropriate valuation techniques and inputs to the model. In determining the fair value of contingent payable which involved value-in-use and profit estimates calculations require the Directors to estimate the future cash flows expected to arise and future profit expected to earn from the CGU and determine a suitable discount rate in order to calculate the present value. Where the actual future cash flows and profit are less than expected, a material difference in the fair value may arise. As at acquisition date of the subsidiary, the fair value of identifiable net assets of the subsidiary amounting to approximately HK$58,386,000 and the fair value of contingent payable amounting to approximately HK$12,900,000. Details of the acquisition are disclosed in Note 35.

Estimated useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives in determining the related depreciation charges for its property, plant and equipment. The estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. Actual economic useful lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore depreciation charge in the future period.

In addition, management assesses impairment requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. As at 30 June 2018, the carrying amount of property, plant and equipment is approximately HK$48,843,000 (2017: HK$6,110,000). No impairment loss has been recognised during the years ended 30 June 2018 and 2017.

Impairment of prepaid lease payments

The Group's management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of the prepaid lease payments may not be recoverable. When the recoverable amounts of prepaid lease payments differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place. As at 30 June 2018, the carrying amount of prepaid lease payments is approximately HK$39,859,000 (2017: Nil) respectively. No impairment loss has been recognised during years ended 30 June 2018 and 2017.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated recoverability of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. No impairment loss has been recognised during the year ended 30 June 2018 (2017: HK$596,000). As at 30 June 2018, the carrying amount of trade and other receivables is approximately HK$262,850,000 (2017: HK$234,648,000), net of accumulated impairment loss of approximately HK$596,000 (2017: HK$596,000).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGUs to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2018, the carrying amount of goodwill is approximately HK$10,234,000 (2017: Nil). No impairment loss has been recognised during years ended 30 June 2018. Details of the recoverable amount calculation are disclosed in Note 17.

Fair value of contingent payable

Determining the fair value of contingent payable at 30 June 2018 require the Directors to determine the appropriate valuation techniques and inputs for fair value measurements. The Group engages the Valuer to perform the valuation. The Directors work closely with the Valuer to establish the appropriate valuation techniques and inputs to the model. The profit estimates calculation requires the Group to estimate the future profits generated expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future profits are less than expected, a material difference in the fair value may arise. As at 30 June 2018, the fair value of contingent payable is approximately HK$12,770,000 (2017: Nil). Details of the contingent payable are disclosed in Note 35.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2018 HK$'000	2017 HK$'000
Revenue from:		
Building maintenance services	**350,805**	367,127
Renovation services	**92,751**	146,328
Sales of visible light photocatalysis products	**23,027**	—
	466,583	513,455

6. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chairman of the Board, being the chief operating decision maker (the "CODM") for the purposes of resources allocation and performance assessment focuses on types of goods sold or services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

i) Building maintenance;

ii) Renovation; and

iii) Sales of visible light photocatalysis products.

Sales of visible light photocatalysis products were commenced during the year ended 30 June 2018 as a result of the acquisition of a subsidiary (Note 35). Therefore, a new segment of sales of visible light photocatalysis products was in the current year.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 30 June 2018

	Building maintenance HK$'000	Renovation HK$'000	Sales of visible light photocatalysis products HK$'000	Total HK$'000
Segment revenue	350,805	92,751	23,027	466,583
Segment profit	37,464	4,314	12,892	54,670
Unallocated corporate income				2,196
Central administration costs				(42,551)
Finance costs				(1,170)
Profit before taxation				13,145

For the year ended 30 June 2017

	Building maintenance HK$'000	Renovation HK$'000	Total HK$'000
Segment revenue	367,127	146,328	513,455
Segment profit	41,813	2,817	44,630
Unallocated corporate income			1,435
Gain on fair value change on held-for-trading investments			59
Central administration costs			(39,188)
Finance costs			(40)
Profit before taxation			6,896

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of certain unallocated corporate income, gain on fair value change on held-for-trading investments, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales between different business segments for the years ended 30 June 2018 and 2017.

Segment assets and liabilities

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

	2018 **HK$'000**	2017 HK$'000
Segment assets		
Building maintenance	**99,722**	105,590
Renovation	**81,188**	84,672
Sales of visible light photocatalysis products	**134,883**	–
Total segment assets	**315,793**	190,262
Unallocated corporate assets	**119,377**	92,519
Total assets	**435,170**	282,781
Segment liabilities		
Building maintenance	**66,741**	61,188
Renovation	**32,353**	26,034
Sales of visible light photocatalysis products	**19,895**	–
Total segment liabilities	**118,989**	87,222
Unallocated corporate liabilities	**112,827**	23,454
Total liabilities	**231,816**	110,676

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, available-for-sale investment, rental deposit, certain other receivables, pledged bank deposits, time deposits with original maturity over three months and bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to operating segments other than certain other payables, obligations under finance leases, bank borrowings, tax payable, long service payment obligations and deferred tax liabilities as these liabilities are managed on a group basis.

Other segment information

For the year ended 30 June 2018

	Building maintenance HK$'000	Renovation HK$'000	Sales of visible light photocatalysis products HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:					
Additions to property, plant and equipment	1,027	–	44,839	809	46,675
Additions to prepaid lease payments	–	–	41,534	–	41,534
Amortisation of prepaid lease payments	–	–	156	–	156
Depreciation of property, plant and equipment	463	–	284	893	1,640
Gain on fair value change on contingent payable	–	–	(130)	–	(130)
Net gain on disposal of property, plant and equipment	(76)	–	–	16	(60)
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:					
Bank interest income	–	–	–	(41)	(41)
Interest expenses	–	–	–	1,170	1,170
Income tax expenses	–	–	–	5,732	5,732

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 30 June 2017

	Building maintenance HK$'000	Renovation HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	–	–	2,542	2,542
Depreciation of property, plant and equipment	527	–	868	1,395
Net gain on disposal of property, plant and equipment	(40)	–	(36)	(76)
Provision for impairment of other receivables	596	–	–	596
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:				
Bank interest income	–	–	(37)	(37)
Gain on fair value change on held-for-trading investments	–	–	(59)	(59)
Interest expenses	–	–	40	40
Income tax expenses	–	–	5,511	5,511

Geographical information

The Group's operations are located in Hong Kong (country of domicile) and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers For the year ended 30 June		Non-current assets As at 30 June	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Hong Kong (country of domicile)	**443,556**	513,455	**6,132**	6,110
The PRC	**23,027**	–	**91,911**	–
	466,583	513,455	**98,043**	6,110

Note: Non-current assets excluded financial instruments.

6. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2018 **HK$'000**	2017 HK$'000
Customer A[1]	**330,260**	366,033
Customer B[2]	**N/A[3]**	118,943

[1] Revenue from building maintenance and renovation services.

[2] Revenue from renovation services.

[3] The corresponding revenue for the year ended 30 June 2018 did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME

	2018 **HK$'000**	2017 HK$'000
Bank interest income	**41**	37
Net gain on disposal of property, plant and equipment	**60**	76
Net income from sales of construction materials and electronic products (Note)	**1,663**	1,190
Rental income, net of nil direct outgoings	**77**	—
Others	**431**	172
	2,272	1,475

Note: During the year ended 30 June 2018, the amount represented net income from the sales of construction materials and electronic products of approximately HK$1,663,000 (2017: HK$1,190,000) represented gross income of approximately HK$59,910,000 (2017: HK$49,270,000) net of the cost of goods sold of approximately HK$58,247,000 (2017: HK$48,080,000).

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interests on:		
Bank borrowings	1,102	—
Obligations under finance leases	68	40
	1,170	40

9. INCOME TAX EXPENSES

	2018 HK$'000	2017 HK$'000
Hong Kong Profits Tax:		
Current tax	2,623	3,989
Under-provision in prior years	192	1,414
	2,815	5,403
Deferred tax (Note 26)	2,917	108
	5,732	5,511

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for the PRC Enterprise Income Tax has been made as the PRC subsidiary has sufficient tax losses brought forward to set off against current year's assessable profit during the year.

9. INCOME TAX EXPENSES (Continued)

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

	2018 HK$'000	2017 HK$'000
Profit before taxation	**13,145**	6,896
Tax at the domestic income tax rate of 16.5% (2017: 16.5%)	**2,169**	1,138
Effect of different tax rate of a subsidiary operating in other jurisdiction	**946**	—
Tax effect of income not taxable for tax purposes	**(76)**	(6)
Tax effect of expenses not deductible for tax purposes	**2,666**	2,985
Under-provision in prior years	**192**	1,414
Effect of tax concession granted (Note)	**(165)**	(20)
Income tax expenses for the year	**5,732**	5,511

Note: For the year of assessment 2018/2019, a two-tiered profits tax rates was introduced of which one subsidiary of the Group can elect 8.25% tax rate for its first assessable profits of HK$2,000,000.

For the year of assessment 2017/2018, tax concession represented a reduction of Hong Kong Profits Tax by 75%, subject to a ceiling of HK$20,000 per company.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2018 HK$'000	2017 HK$'000
Staff costs (including Directors' and chief executive's emoluments)		
— Directors' and chief executive's emoluments (Note 11)	**2,269**	4,502
— Salaries, allowances and other benefits	**38,915**	40,399
— Contributions to retirement benefits schemes	**1,188**	1,010
Total staff costs	**42,372**	45,911
Auditor's remuneration	**1,280**	1,112
Amount of inventories recognised as expenses	**9,825**	—
Net exchange losses	**212**	91
Depreciation of property, plant and equipment	**1,640**	1,395
Amortisation of prepaid lease payments	**156**	—
Minimum lease payments paid under operating lease in respected of rented premises	**4,472**	4,501
Provision for impairment of other receivables	**—**	596

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2017: eleven) directors, ex-directors and chief executive were as follows:

For the year ended 30 June 2018

Name of Director	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings				
Executive directors				
Dai Jian (Chairman and Chief Executive Officer ("CEO")) (Note v)	–	1,200	18	1,218
Dai Ming (Note iv)	–	548	17	565
Dai Jialong (Note iii)	–	88	2	90
Independent non-executive directors				
Chan Foon	132	–	–	132
Guo Biao	132	–	–	132
Song Dan	132	–	–	132
	396	1,836	37	2,269

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 30 June 2017

Name of Director	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings				
Executive directors				
Dai Jian (Chairman and CEO) (Notes i and v)	—	559	9	568
Dai Jialong (Notes i & iii)	—	447	9	456
Lai Aizhong (ex-Chairman) (Note ii)	—	597	11	608
Liu Winson Wing Sun (Note ii)	—	775	11	786
Kan Yiu Keung (ex-CEO) (Notes ii and v)	—	775	11	786
Chan Lo Kin (Note ii)	—	775	11	786
Non-executive director				
Kan Yiu Kwok (Note ii)	82	—	—	82
Independent non-executive directors				
Chan Foon (Note i)	62	—	—	62
Tong Sze Wan (Note ii)	82	—	—	82
Guo Biao	143	—	—	143
Song Dan	143	—	—	143
	512	3,928	62	4,502

Notes:

(i) Appointed on 14 January 2017.

(ii) Resigned on 14 January 2017.

(iii) Resigned on 3 August 2017.

(iv) Appointed on 3 August 2017.

(v) Emoluments included services rendered as chief executive and CEO.

Neither the chief executive nor any of the directors agreed to waive or waived any emoluments during the years ended 30 June 2018 and 2017.

12. INDIVIDUAL WITH HIGHEST EMOLUMENTS

During the year ended 30 June 2018, the five individuals with the highest emoluments in the Group included no (2017: three) directors whose emoluments are included in the disclosures in Note 11 above. The emoluments of those five (2017: two) non-director individuals were follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and other benefits	**9,655**	2,495
Contributions to retirement benefits scheme	**72**	—
	9,727	2,495

Their emoluments were within the following bands:

	2018 **No. of** **employees**	2017 No. of employees
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,500,000	**3**	—

During the years ended 30 June 2018 and 2017, no emoluments were paid by the Group to the Directors, chief executive and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2018, nor has any dividend been proposed since the end of reporting period (2017: Nil).

14. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share, profit for the year attributable to owners of the Company	3,650	1,313

	2018	2017 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,594,000,000	5,594,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for both years has been adjusted for the sub-division of shares on 7 February 2018.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares during the years ended 30 June 2018 and 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixture and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
COST						
At 1 July 2016	–	418	1,652	6,410	150	8,630
Additions	–	–	95	2,447	–	2,542
Disposals	–	–	–	(569)	–	(569)
At 30 June and 1 July 2017	–	418	1,747	8,288	150	10,603
Acquired on acquisition of a subsidiary (Note 35)	40,915	3,430	75	–	–	44,420
Additions	–	391	50	1,787	27	2,255
Disposals	–	–	–	(1,386)	–	(1,386)
Exchange realignment	(1,689)	(150)	(3)	–	–	(1,842)
At 30 June 2018	39,226	4,089	1,869	8,689	177	54,050
ACCUMULATED DEPRECIATION						
At 1 July 2016	–	372	1,204	1,945	9	3,530
Charge for the year	–	9	112	1,237	37	1,395
Eliminated on disposals	–	–	–	(432)	–	(432)
At 30 June and 1 July 2017	–	381	1,316	2,750	46	4,493
Charge for the year	235	63	84	1,220	38	1,640
Eliminated on disposals	–	–	–	(917)	–	(917)
Exchange realignment	(7)	(2)	–	–	–	(9)
At 30 June 2018	228	442	1,400	3,053	84	5,207
CARRYING VALUES						
At 30 June 2018	38,998	3,647	469	5,636	93	48,843
At 30 June 2017	–	37	431	5,538	104	6,110

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following property, plant and equipment are depreciated on diminishing balance method over their estimated depreciation rates as below:

Equipment	25% in the year of purchase and 15% per annum in subsequent years
Furniture, fixture and office equipment	25% in the year of purchase and 15% per annum in subsequent years
Motor vehicles	25% in the year of purchase and 15% per annum in subsequent years

The following property, plant and equipment are depreciated on a straight-line basis, after taking into account of their estimated residual value, at the following rates per annum:

Buildings	25 years
Machinery	10% — 19% per annum
Leasehold improvement	Over the term of lease

As at 30 June 2018, the carrying values of motor vehicles include an amount of approximately HK$2,756,000 (2017: HK$3,841,000) in respect of assets held under finance leases.

16. PREPAID LEASE PAYMENTS

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
— Non-current asset	**38,966**	—
— Current asset	**893**	—
	39,859	—

As at 30 June 2018, prepaid lease payments with carrying amounts of approximately HK$39,859,000 (2017: Nil) have been pledged to a bank to secure bank borrowings of approximately HK$82,990,000 (2017: Nil).

17. GOODWILL

	HK$'000
CARRYING VALUE	
Acquired on acquisition of a subsidiary during the year (Note 35) and at 30 June 2018	10,234

For the purposes of impairment testing, goodwill set out above has been allocated to one CGU, comprising a subsidiary in the sales of visible light photocatalysis products segment.

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this CGU has been determined based on a value-in-use calculation with reference to a valuation performed by the Valuer who is not connected to the Group. The calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period and a pre-tax discount rate of 24%. Cash flows have been extrapolated using a steady growth rate of approximately 14% and 9% in first two years and 3% afterwards. This growth rate is based on relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. As a result, no impairment loss has been recognised during the year ended 30 June 2018.

18. AVAILABLE-FOR-SALE INVESTMENT

	2018 HK$'000	2017 HK$'000
Unlisted equity investment in Hong Kong, at cost	**1,974**	1,974

The Group held 4.02% (2017: 4.02%) equity interest in an unlisted company in Hong Kong. The investment is measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimate is so significant that the Directors are of the opinion that its fair value cannot be reliably measured.

19. RENTAL DEPOSIT AND TRADE AND OTHER RECEIVABLES

The following is an analysis of rental deposit and trade and other receivables at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Trade receivables	184,454	170,053
Retention money receivables (Note a)	13,040	10,358
Advances to subcontractors	4,366	6,175
Payment in advance (Note b)	17,296	596
	219,156	187,182
Deposits and other receivables (Note c)	44,290	48,062
Less: Provision for impairment of other receivables	(596)	(596)
	43,694	47,466
	262,850	234,648
Less: Rental deposit shown under non-current assets	(191)	(802)
	262,659	233,846

Notes:

(a) As at 30 June 2018, retention money receivables of approximately HK$$8,351,000 (2017: HK$6,511,000) was expected to be recovered in more than twelve months from the end of the reporting period but within its normal operating cycle.

(b) As at 30 June 2018, a payment in advance for purchasing of raw materials of approximately HK$16,301,000 (2017: Nil) was paid to a company of which one of the director of a subsidiary is also the shareholder and director of that company.

(c) As at 30 June 2018, other receivables of approximately HK$33,282,000 (2017: HK$43,215,000) represented receivables from the sales of construction materials and electronic products of which details were disclosed in Note 7.

The Group does not hold any collateral over these balances.

19. RENTAL DEPOSIT AND TRADE AND OTHER RECEIVABLES (Continued)

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate, for the building maintenance and renovation services. For the sales of visible light photocatalysis products, the Group generally allows an average credit period of 120 days (2017: Nil) to the customers.

The following is an ageing analysis of trade receivables, presented based on the certified report and/or based on invoices dates which approximates the respective revenue recognition dates at the end of the reporting period:

	2018 **HK$'000**	2017 HK$'000
Within 90 days	**92,482**	112,364
91 to 180 days	**11,403**	16,377
181 to 365 days	**45,036**	7,213
1 to 2 years	**13,063**	17,849
Over 2 years	**22,470**	16,250
	184,454	170,053

Trade receivables that were neither past due nor impaired relate to customers that have no recent history of default payment.

As at 30 June 2018, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK$2,262,000 (2017: HK$2,715,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality of the relevant customers and no recent history of default, they are still considered as recoverable.

The ageing analysis of trade receivables which are past due but not impaired is set out below:

	2018 **HK$'000**	2017 HK$'000
Over 1 year	**2,262**	2,715

19. RENTAL DEPOSIT AND TRADE AND OTHER RECEIVABLES (Continued)

The movement in the provision for impairment of other receivables is set out below:

	2018 **HK$'000**	2017 HK$'000
At the beginning of the financial year	**596**	–
Impairment losses recognised on other receivables	**–**	596
At the end of the financial year	**596**	596

The Group has individually assessed other receivables and provided in full for other receivables that are individually considered not recoverable. During the year ended 30 June 2018, no impairment loss (2017: HK$596,000) in respect of other receivable has been recognised.

20. PLEDGED BANK DEPOSITS, TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS AND BANK BALANCES AND CASH

Pledged bank deposits

As at 30 June 2018, pledged bank deposits represent deposit pledged to a bank to secure bank borrowings which is repayable more than twelve months and is therefore classified as non-current asset. Pledged bank deposits carried a fixed interest rate of 0.73% per annum (2017: Nil).

Time deposits with original maturity over three months

As at 30 June 2018, time deposits carried a fixed interest rate of 2.40% per annum (2017: Nil).

Bank balances and cash

Bank balances carry interest at market rates which range from 0.01% to 0.02% (2017: 0.01% to 0.02%) per annum.

As at 30 June 2018, the Group's bank balances and cash denominated in RMB amounted to approximately HK$26,092,000 (2017: Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

21. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	206	–
Finished goods	1,334	–
	1,540	–

22. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Trade payables	91,795	81,084
Retention money payables (Note a)	7,543	4,938
Receipt in advance	–	76
Accrued expenses and other payables (Notes b and c)	12,208	8,786
Amount due to a former related company (Note d)	10,000	10,000
Dividend payable to non-controlling interests	779	779
	122,325	105,663
Less: Deferred income shown under non-current liabilities (Note c)	–	(45)
	122,325	105,618

Notes:

(a) As at 30 June 2018, retention money of approximately HK$3,180,000 (2017: HK$1,074,000) was expected to be paid or settled more than twelve months from the end of the reporting period but within its normal operating cycle.

(b) As at 30 June 2018, included in accrued expenses and other payables was amount of approximately HK$331,000 (2017: Nil) represented accrued directors' emoluments. The amount is unsecured, interest-free and repayable on demand.

(c) The Group has taken up a lease of an office premise from an independent third party and the Group has received an amount of HK$226,000 from that party as rent-free period compensation during the year ended 30 June 2016. As at 30 June 2018, deferred income of approximately HK$45,000 (2017: HK$80,000) was included in accrued expenses and other payables under current liabilities and nil (2017: HK$45,000) was shown under non-current liabilities. The amount is amortised over the remaining lease period.

(d) As at 30 June 2018, the amount of HK$10,000,000 (2017: HK$10,000,000) was due to a former related company of which a former director of the Company is the common director and has beneficial interest in that company. The amount is unsecured, interest-free and repayable on demand.

22. TRADE AND OTHER PAYABLES (Continued)

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018 **HK$'000**	2017 HK$'000
Within 90 days	**48,351**	39,504
91 to 180 days	**7,331**	10,548
181 to 365 days	**6,284**	3,533
1 to 2 years	**8,864**	9,329
Over 2 years	**20,965**	18,170
	91,795	81,084

Trade payables represented payables to subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within seven days after the Group received settlement of corresponding trade receivables. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

23. OBLIGATIONS UNDER FINANCE LEASES

	2018 **HK$'000**	2017 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**1,437**	1,124
Non-current liabilities	**151**	747
	1,588	1,871

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term ranged from 2 to 3 years (2017: 2 to 3 years) throughout the year ended 30 June 2018. During the year ended 30 June 2018, the effective interest rate ranged from 1.23% to 1.28% (2017: 1.23% to 1.50%) per annum.

23. OBLIGATIONS UNDER FINANCE LEASES (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed for reporting purposes as:				
Within one year	**1,531**	1,160	**1,437**	1,124
After one year but less than two years	**153**	609	**151**	596
After two years but less than five years	**–**	153	**–**	151
	1,684	1,922	**1,588**	1,871
Less: future finance charges	**(96)**	(51)	**N/A**	N/A
Present value of obligations under finance lease	**1,588**	1,871		
Less: amount due for settlement with 12 months (shown under current liabilities)			**(1,437)**	(1,124)
Amount due for settlement after 12 months			**151**	747

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

24. BANK BORROWINGS

	2018	2017
	HK$'000	HK$'000
Secured and guaranteed	**90,143**	–
Carrying amount of bank borrowings repayable (based on scheduled repayment dates set out in the loan agreement)		
— Within one year	**28,719**	–
— After one year but within two years	**2,146**	–
— After two years but within five years	**59,278**	–
	90,143	–
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	**59,278**	–
Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	**23,712**	–
Carrying amount repayable within one year	**5,007**	–
Amounts shown under current liabilities	**87,997**	–
Amounts shown under non-current liabilities	**2,146**	–
	90,143	–

24. BANK BORROWINGS (Continued)

As at 30 June 2018, bank borrowings for Hong Kong carried at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% which is 3.30% to 3.67% per annum. The bank borrowings and general banking facilities were secured and/or guaranteed by the corporate guarantee given by the Company and the Group's pledged bank deposits as disclosed in Note 20.

As at 30 June 2018, bank borrowings for the PRC carried at a fixed interest rate of 6.00% to 6.87% per annum. The bank borrowings and general banking facilities were secured and/or guaranteed given by an independent third party and the Group's prepaid lease payments as disclosed in Note 16.

During the year, the Group obtained new loans in the amount of approximately HK$99,787,000 (of which approximately HK$86,787,000 was from the acquisition of a subsidiary as disclosed in Note 35). The loans bear interest at HIBOR plus 2.5% and fixed interest rate of 6.00% to 6.87% per annum and will be repayable in 2019 and 2021. The proceeds were used to finance the operation of the subsidiaries.

25. LONG SERVICE PAYMENT OBLIGATIONS

Movement in the long service payment obligations is as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 July and 30 June	**326**	326

The Group makes provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK$390,000 per employee. The provision represents the management's best estimate of the Group's liability at the end of the reporting period. As at 30 June 2018 and 2017, the amount is calculated based on the principal assumptions stated as below:

	2018	2017
Salary inflation rate	**3.50%**	3.50%
Discount rate	**2.20%**	1.50%

26. DEFERRED TAX

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting years:

	Business combination HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2016	–	(415)	–	(415)
Charged to profit or loss (Note 9)	–	(108)	–	(108)
At 30 June and 1 July 2017	–	(523)	–	(523)
Charged to profit or loss (Note 9)	–	(26)	(2,891)	(2,917)
Acquisition of a subsidiary (Note 35)	(2,270)	–	3,721	1,451
At 30 June 2018	(2,270)	(549)	830	(1,989)

Tax losses can be carried forward against future taxable income but will expire within five years from the year of origination.

27. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK$'000
Authorised:		
Ordinary share of HK$0.01 each at 1 July 2016, 30 June 2017 and 1 July 2017	2,000,000,000	20,000
Sub-division (Note)	8,000,000,000	–
Ordinary share of HK$0.002 each at 30 June 2018	10,000,000,000	20,000
Issued and fully paid:		
Ordinary share of HK$0.01 each at 1 July 2016, 30 June 2017 and 1 July 2017	1,118,800,000	11,189
Sub-division (Note)	4,475,200,000	–
Ordinary share of HK$0.002 each at 30 June 2018	5,594,000,000	11,189

Note: Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 7 February 2018, each of the Company's issued and unissued shares of HK$0.01 each was sub-divided into five new shares of HK$0.002 each. The sub-division of shares was completed on 7 February 2018. Details of the shares sub-division are set out in the Company's announcements dated 8 January 2018 and 7 February 2018 respectively.

28. CAPITAL RISK MANAGEMENT

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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which include bank borrowings and obligations under finance leases, net of pledged bank deposits, time deposits with original maturity over three months and bank balances and cash) and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue or redemption of borrowings.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Available-for-sale investment	**1,974**	1,974
Loans and receivables (including pledged bank deposits, time deposits with original maturity over three months and bank balances and cash)	**311,034**	267,926
Financial liabilities		
At FVTPL	**12,770**	—
At amortised cost	**214,011**	107,333

Financial risk management objectives and policies

The Group's major financial assets and liabilities include available-for-sale investment, rental deposit, trade and other receivables, pledged bank deposits, time deposits with original maturity over three months, bank balances and cash, trade and other payables, contingent payable, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Currency risk

The Group's exposure to foreign currency risk relates principally to its bank balances and contingent payables denominated in foreign currencies other than the functional currency of relevant group entity.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**353**	–	**12,770**	–

The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase or decrease in HK$ against RMB for the years ended 30 June 2018. 5% is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2017: 5%) against HK$. For a 5% (2017: 5%) weakening of RMB against HK$, there would be an equal and opposite impact on the profit.

Presented in:	HK$'000	
	2018	2017
Profit or loss	**(518)**	–

Interest rate risk

As at 30 June 2018 and 2017, the Group is exposed to cash flow interest rate risk in relation to its variable rate bank balances and certain bank borrowings and is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit, time deposits with original maturity over three months, obligations under finance leases and certain bank borrowings.

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

As at 30 June 2018 and 2017, the Group had minimal exposure to interest rate risk and no sensitivity analysis is performed.

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables regularly at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As at 30 June 2018, the Group has concentration of credit risk as 49% (2017: 57%) of the total trade receivables was due from the Group's largest customer while 74% (2017: 88%) of the total trade receivables was due from the Group's five largest customers respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong which accounted for 88% (2017: 100%) of the total trade and retention money receivables as at 30 June 2018.

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity table	On demand or within 1 year	1-5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2018				
Trade and other payables	**122,280**	**–**	**122,280**	**122,280**
Contingent payable	**6,835**	**6,728**	**13,563**	**12,770**
Bank borrowings (Note)	**88,206**	**2,235**	**90,441**	**90,143**
Obligations under finance leases	**1,531**	**153**	**1,684**	**1,588**
	218,852	**9,116**	**227,968**	**226,781**
At 30 June 2017				
Trade and other payables	105,462	–	105,462	105,462
Obligations under finance leases	1,160	762	1,922	1,871
	106,622	762	107,384	107,333

Note: As at 30 June 2018, certain bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. The aggregate undiscounted principal amount of such bank borrowing amounted to approximately HK$82,990,000. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that the installment loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$93,058,000.

29. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement

One of the Group's financial liabilities is measured at fair value at the end of each reporting period for recurring measurement. The following table give information about how the fair values are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable in accordance to the Group's accounting policy.

Financial liabilities	Fair value Hierarchy	Valuation techniques and key inputs	Fair value 2018 HK'000	Fair value 2017 HK'000
Contingent payable classified as financial liabilities at FVTPL	Level 3	Income approach-By reference to the present value of the expected future economic benefits to be derived from the subsidiary based on an appropriate discount rate	**12,770**	–

Note: As at 30 June 2018, the significant unobservable inputs were revenue growth rate of approximately 14% and 9% in calendar year 2018 and 2019 respectively, taking into account management's experience and knowledge of market conditions of the specific industries. The relationship of key inputs and significant unobservable inputs to fair value was the lower the growth rate of revenue, the lower would be the fair value.

There was no transfer between level 1, 2 and 3 in the current year.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements not materially differ from their fair values.

30. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to the written resolution passed on 18 December 2014 to attract and retain the best available personnel, to provide additional incentive to eligible participants and to promote the success of the business of the Group.

Eligible participants of the share option scheme include employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group.

No share options are granted since the adoption of the share option scheme and there are no outstanding share options as at 30 June 2017 and 2018.

31. RETIREMENT BENEFITS PLANS

The Group operates MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees and subject to a cap of HK$1,500 per employee.

Pursuant to the regulations of the relevant authorities in the PRC, the PRC subsidiary of the Company is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contribution made to the schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme.

During the years ended 30 June 2018 and 2017, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income is approximately HK$1,225,000 and HK$1,072,000 respectively, which represent contributions payable to these schemes by the Group at rates specified in the rules of the scheme.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments in respect of future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	2,745	3,834
In the second to fifth year inclusive	1,268	1,466
	4,013	5,300

Operating lease payments represents rentals payable by the Group for its office premises and a motor license. Leases are negotiated and rentals are fixed for a term ranging from 2 to 3 years (2017: 2 to 3 years).

33. CONTINGENT LIABILITIES

Contingent liabilities in respect of legal claims

One subsidiary of the Group is defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case and with reference to the legal opinion.

33. CONTINGENT LIABILITIES (Continued)

Guarantee issued

At the end of the reporting period, the Group had provided guarantees to banks in respect of the followings:

	2018 HK$'000	2017 HK$'000
Performance bonds in favor of its clients	7,408	–

As at 30 June 2018 approximately HK$7,408,000 (2017: Nil) of performance bonds were given by bank in favour of some of the Group's customers as security for the performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

						Non-cash changes	
	1 July 2017 HK$'000	Financing cash flows HK$'000 (Note)	Acquisition of a subsidiary HK$'000 (Note 35)	Finance cost incurred HK$'000	Foreign exchange adjustments HK$'000	New finance lease arrangements HK$'000 (Note 39)	30 June 2018 HK$'000
Obligations under finance leases	1,871	(2,042)	–	–	–	1,759	1,588
Interest payable	–	(1,170)	–	1,170	–	–	–
Bank borrowings	–	7,053	86,787	–	(3,697)	–	90,143
	1,871	3,841	86,787	1,170	(3,697)	1,759	91,731

Note: The cash flows represent the net amount of new bank borrowings raised and repayment of bank borrowings in the consolidated statement of cash flows.

35. ACQUISITION OF A SUBSIDIARY

Pursuant to a sales and purchase agreement dated 19 September 2017, the Group acquired 55% equity interest of Jiangyin Grabene Graphene Photocatalytic Technology Co., Ltd. ("Jiangyin Grabene") at a cash consideration of RMB35,750,000 from Jiangsu Longjia Investment Co., Ltd. (the "Vendor"), an independent third party of the Group.

Pursuant to a supplemental agreement to the sales and purchase agreement dated 29 December 2017, the Vendor deposited RMB12,000,000 (the "PG Security Deposit") to the Group on the completion date as a security for the performance of the obligations of the Vendor under the profit guarantee, comprising:

(a) RMB6,000,000 ("2018 PG Security Deposit") as security deposit for the fulfillment of the profit guarantee for the year ended 31 December 2018 ("2018 Profit Guarantee"); and

(b) the remaining RMB6,000,000 ("2019 PG Security Deposit") as security deposit for the fulfillment of the profit guarantee for the year ended 31 December 2019 ("2019 Profit Guarantee").

In the event that the actual profits of Jiangyin Grabene for the year ended 31 December 2018 and/or 31 December 2019 is equal to or more than the 2018 and/or 2019 Profit Guarantee of RMB6,000,000 respectively, the Group shall return the 2018 and/or 2019 PG Security Deposit to the Vendor accordingly. In the event that the actual profits for the year ended 31 December 2018 and/or 31 December 2019 is less than the 2018 and/or 2019 Profit Guarantee, the Group shall have the right to deduct certain shortfall amount from the 2018 and/or 2019 PG Security Deposit based on the agreed calculation and return the remaining amount to the Vendor.

Details of the acquisition are disclosed in the circular of the Company dated 19 March 2018.

The transaction was completed in April 2018.

Jiangyin Grabene is engaged in the sales of visible light photocatalysis products in the PRC. The Group has acquired Jiangyin Grabene so as to expand to this new market segment. The acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK$10,234,000.

Consideration	HK$'000
Cash consideration	44,321
PG Security Deposit	(14,875)
Contingent payable (Note)	12,900
Total	42,346

35. ACQUISITION OF A SUBSIDIARY (Continued)

Note: The fair values of the non-current and current portion of contingent payable as at the acquisition date and as at 30 June 2018 are approximately HK$6,496,000, HK$6,404,000 and HK$6,629,000, HK$6,141,000 respectively. During the year ended 30 June 2018, gain on fair value change of contingent payable of approximately HK$130,000 was recognised in profit or loss.

The fair values have been determined based on profit forecast projections of Jiangyin Grabene with reference to valuations performed by the Valuer which were within Level 3 fair value measurements hierarchy as disclosed in Note 29.

Assets acquired and liabilities recognised at the date of acquisition are as follows:	HK$'000
Property, plant and equipment	44,420
Prepaid lease payments	41,534
Inventories	740
Trade and other receivables	56,671
Bank balances and cash	5,883
Deferred tax asset	1,451
Trade and other payables	(5,526)
Bank borrowings	(86,787)
	58,386

Goodwill arising on acquisition:	HK$'000
Consideration	42,346
Add: non-controlling interests (45% in Jiangyin Grabene, at proportionate share)	26,274
Less: net assets acquired	(58,386)
Goodwill arising on acquisition	10,234

Net cash outflow on acquisition of Jiangyin Grabene	HK$'000
Net cash consideration paid	29,446
Less: cash and cash equivalent balances acquired	(5,883)
	23,563

Goodwill arose in the acquisition of Jiangyin Grabene because the cost of the combination included a control premium. The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

35. ACQUISITION OF A SUBSIDIARY (Continued)

Acquisition-related costs amounting to approximately HK$3,842,000 had been excluded from the consideration transferred and have been recognised as an expense during the year ended 30 June 2018, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Included in the profit for the year is approximately HK$8,240,000 attributable to the additional business generated by Jiangyin Grabene. Revenue for the year includes approximately HK$23,027,000 generated from Jiangyin Grabene.

Had the acquisition been completed on 1 July 2017, total revenue of the Group for the year would have been approximately HK$487,446,000, and profit for the year would have been approximately HK$3,810,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2017, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Jiangyin Grabene been acquired at the beginning of the current year, the Directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

36. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group entered into transactions with related parties as follows:

Related parties	Nature of transaction	2018 HK$'000	2017 HK$'000
Mega Billion Investment Limited ("Mega Billion")	Rental of office from a related party (Note)	–	448

The above company is company of which certain former directors of the Company, who resigned on 14 January 2017, are beneficial shareholders and/or directors.

Note: The Group leased office premises from Mega Billion of which the ex-director of the Group is also the shareholder and director of Mega Billion and the monthly rental was made on a mutually agreed basis.

36. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management personnel during the year were as follows:

	2018 HK$'000	2017 HK$'000
Short-term benefits	13,802	12,043
Post-employment benefits	152	126
	13,954	12,169

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Under a deed of indemnity dated 18 December 2014, the former controlling shareholders who cease as related parties in January 2017 have undertaken to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of the Group in relation to any act, non-performance, omission or otherwise of any member of the Group on or before the date which the share offer of the Company becomes unconditional.

37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries		**9,790**	9,790
Rental deposit		**–**	780
		9,790	10,570
Current assets			
Other receivables		**1,155**	236
Amounts due from subsidiaries	(a)	**65,524**	65,338
Bank balances and cash		**121**	206
		66,800	65,780
Current liabilities			
Accruals and other payables		**197**	907
Amounts due to subsidiaries	(a)	**24,838**	19,085
		25,035	19,992
Net current assets		**41,765**	45,788
Total assets less current liabilities		**51,555**	56,358
Non-current liability			
Other payables		**–**	45
Net assets		**51,555**	56,313
Capital and reserves			
Share capital		**11,189**	11,189
Reserves	(b)	**40,366**	45,124
Total equity		**51,555**	56,313

37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Movement in reserves

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2016	77,790	(22,789)	55,001
Loss and total comprehensive expenses for the year	–	(9,877)	(9,877)
At 30 June 2017 and 1 July 2017	77,790	(32,666)	45,124
Loss and total comprehensive expenses for the year	–	(4,758)	(4,758)
At 30 June 2018	77,790	(37,424)	40,366

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 30 June 2018 and 2017 are as follow:

Name of subsidiary	Place of incorporation/ operation	Class of shares capital held	Issued and fully paid-up capital	Percentage of ownership interest and voting power held by the Company 2018	2017	Principal activities
Directly held						
ABO	The BVI	Ordinary	United States Dollar ("USD") $89,600	**100%**	100%	Investment holding
Sino Kaiser Limited	The BVI	Ordinary	USD $1	**100%**	100%	Investment holding
Sino Baron Group Limited	The BVI	Ordinary	USD $1	**100%**	100%	Investment holding
Indirectly held						
Sing Fat Construction	Hong Kong	Ordinary	HK$10,200,000	**99.61%**	99.61%	Provision of building maintenance and renovation services
Synergy Rise Investment Limited	Hong Kong	Ordinary	HK$1,000	**100%**	100%	Inactive
Richwise Power Investment Limited	Hong Kong	Ordinary	HK$1	**100%**	100%	Provision of administrative services to group companies
Star Richly Inc. Limited	Hong Kong	Ordinary	HK$1	**100%**	100%	Inactive
Chong Hui Enterprises Limited	The BVI	Ordinary	USD $1	**100%**	100%	Inactive
Shing Mining Development Company Limited	Hong Kong	Ordinary	HK$1	**100%**	100%	Inactive
Jiangyin Grabene (Note)	PRC	Paid-up capital	RMB100,000,000	**55%**	–	Sales of visible light photocatalysis products

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

Note: Being subsidiary acquired during the year ended 30 June 2018. For acquisition of a subsidiary, details are disclosed in note 35.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The summarised financial information in respect of a subsidiary of the Group, Jiangyin Grabene that has non-controlling interests that is material to the Group, before intra-group eliminations:

Jiangyin Grabene	2018 HK$'000
Current assets	75,866
Non-current assets	81,677
Current liabilities	(91,915)
Non-current liabilities	(1,440)
Equity attributable to owners of the Company	35,303
Non-controlling interests	28,885

	From the date of completion to 30 June 2018 HK$'000
Revenue	23,027
Profit attributable to owners of the Company	4,532
Profit attributable to the non-controlling interests	3,708
Profit for the year	8,240
Other comprehensive expense attributable to owners of the Company	(1,341)
Other comprehensive expense attributable to non-controlling interests	(1,097)
Other comprehensive expense for the year	(2,438)
Total comprehensive income attributable to owners of the Company	3,191
Total comprehensive income attributable to non-controlling interests	2,611
Total comprehensive income for the year	5,802
Net cash inflow from operating activities	21,224
Net cash outflow from investing activities	(265)
Net cash outflow from financing activities	(1,223)
Net cash inflow	19,736

39. MAJOR NON-CASH TRANSACTION

During the year ended 30 June 2018, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of approximately HK$1,759,000 (2017: HK$1,696,000).

Group Financial Summary

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	466,583	513,455	488,065	503,195	600,392
Cost of sales	(411,677)	(468,269)	(443,118)	(450,790)	(544,629)
Gross profit	54,906	45,186	44,947	52,405	55,763
Other income	2,272	1,475	322	332	14,194
Gain on fair value change on contingent payable	130	–	–	–	–
Gain (loss) on fair value change on held-for-trading investments	–	59	(1,135)	–	–
Operating expenses	(44,163)	(39,824)	(26,988)	(36,250)	(16,718)
Profit before taxation	13,145	6,896	17,146	16,487	53,239
Income tax expenses	(5,732)	(5,511)	(5,491)	(5,525)	(7,060)
Profit and total comprehensive income for the year	7,413	1,385	11,655	10,962	46,179
Assets and liabilities					
Non-current assets	103,935	8,886	7,854	5,527	5,158
Current assets	331,235	273,895	274,490	303,749	331,389
Current liabilities	(221,063)	(109,035)	(110,281)	(149,355)	(179,662)
Total assets less current liabilities	214,107	173,746	172,063	159,921	156,885
Non-current liabilities	(10,753)	(1,641)	(1,343)	(856)	(971)
Net assets	203,354	172,105	170,720	159,065	155,914
Capital and reserves					
Share capital	11,189	11,189	11,189	11,189	9,310
Reserves	162,662	160,353	159,040	147,459	145,923
Non-controlling interests	29,503	563	491	417	681
Total equity	203,354	172,105	170,720	159,065	155,914