KINGBO STRIKE LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1421

ANNUAL REPORT 2019 / 2020

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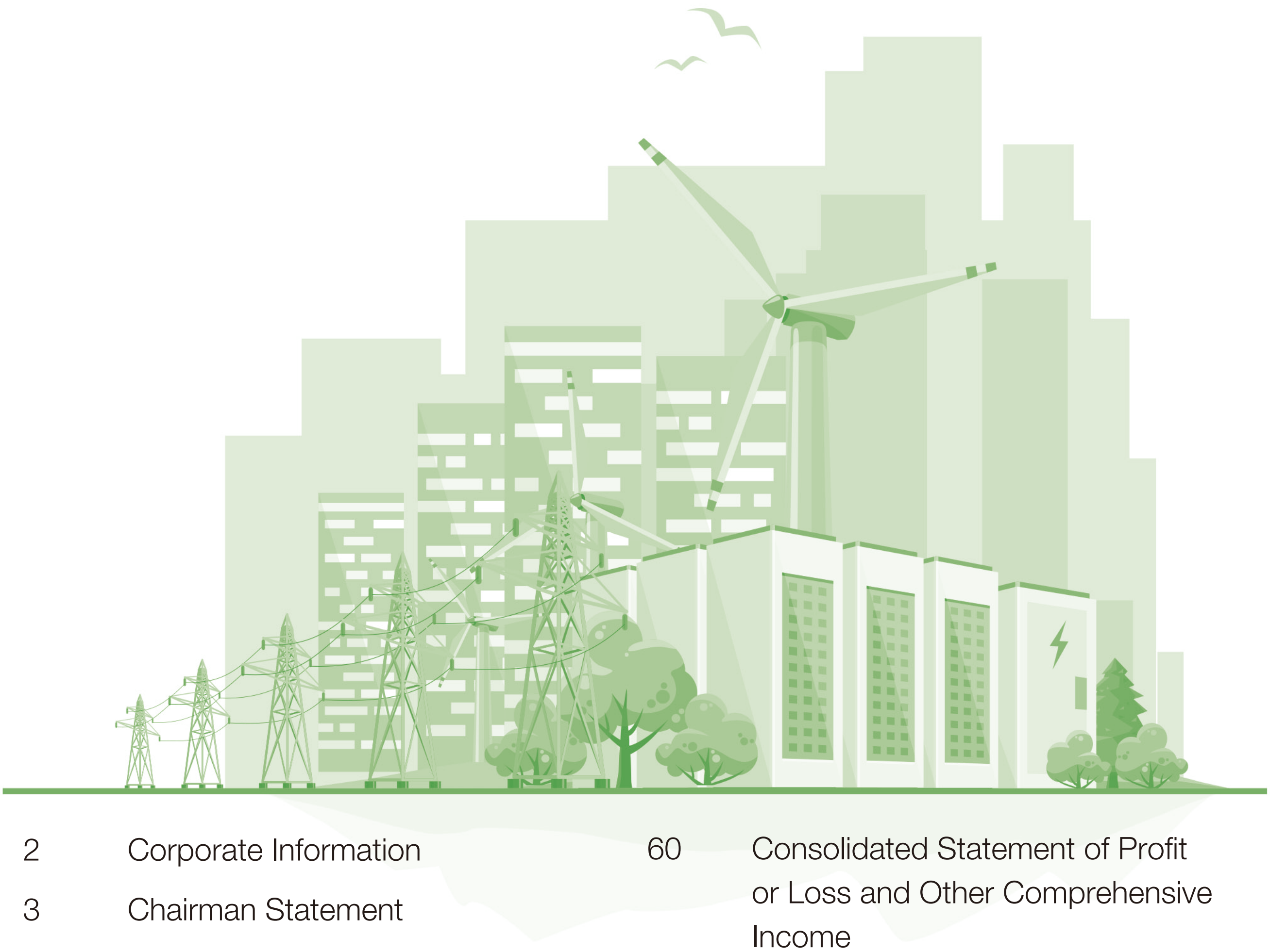


Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Yancheng *(Chairman)*
Mr. Yao Runxiong

Non-executive Director

Mr. Tam Tak Wah

Independent Non-executive Directors

Mr. Leung Po Hon
Mr. Li Jin
Dr. Luo Xiaodong

AUDIT COMMITTEE

Mr. Leung Po Hon *(Chairman)*
Mr. Li Jin
Dr. Luo Xiaodong
Mr. Tam Tak Wah

NOMINATION COMMITTEE

Mr. Liu Yancheng *(Chairman)*
Mr. Leung Po Hon
Mr. Li Jin
Dr. Luo Xiaodong

REMUNERATION COMMITTEE

Mr. Leung Po Hon *(Chairman)*
Mr. Li Jin
Dr. Luo Xiaodong
Mr. Tam Tak Wah

AUDITORS

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Singapore) Limited

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1011, 10th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Ng Kwok Leung (Appointed on 13 December 2019)
Mr. Li Chi Chung, Solicitor, Hong Kong
(Resigned on 13 December 2019)
19/F, Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Ng Kwok Leung (Appointed on 13 December 2019)
Mr. Yao Runxiong
Mr. Li Chi Chung, Solicitor, Hong Kong
(Resigned on 13 December 2019)

WEBSITE OF THE COMPANY

www.kingbostrike.com

Chairman Statement

BUSINESS OVERVIEW

The solar power business and electrical distribution system constitutes the main revenue stream for Kingbo Strike Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"). For the financial year ended 30 June 2020, the Group recorded a decrease in its total revenue, which was the combined effect of the decrease in revenue generated from the solar power business and electrical engineering services in Singapore, and the contribution from the provision of electrical distribution system trading business. With the combination of a compressed profit margin of the Group's solar power business in the People's Republic of China ("**PRC**") and a relatively higher profit margin from the electrical distribution system, the Group experience a mild drop in its overall gross profit margin ratio.

During the year, the Group has recognised a revenue of approximately RMB137.0 million (equivalent to approximately HK$152.9 million) (2019: RMB389.6 million, approximately HK$452.5 million) from the solar power business for the financial year ended 30 June 2020, mainly due to the Group having secured and delivered a lower volume of contracts under a challenging market condition.

Electrical distribution system business had contributed a revenue of approximately RMB131.6 million (equivalent to approximately HK$147.0 million) for the financial year ended 30 June 2020.

The release of the 2018 Photovoltaic Power Generation Notice ("**Net Policy**") on May 2018, and the subsequent circular on construction of Wind and Photovoltaic ("**PV**") Power Generation Project ("**Circular**") on May 2019, led to PRC's PV industry becoming more market-led, with focus on the development of non-subsidised projects (grid parity). Although subsidy would continue at a lower level before the grid parity could be achieved, the Group would expect that pressure on profitability and industry consolidation in the past financial year will also continue in the coming year.

In addition, the fierce competition in public housing development in Singapore and the uncertainty of the upcoming development of the trade war between the United States of America ("**US**") and PRC also bring challenges to the Group.

Under such challenging environment, the Group will make solid efforts in seeking for potential related business with higher return potential, including but not limited to operation and management of solar farms, manufacturing and supply of electric supply projects and etc.

Liu Yancheng
Chairman

Management Discussion and Analysis

BUSINESS REVIEW

During the financial year ended 30 June 2020, the performance of the Group in different business segments were as follows:

Solar Power Business

The Group's solar power business mainly engaged in supply and installation of solar PV parts and equipment. The Group has recognised a revenue of approximately RMB137.0 million (equivalent to approximately HK$152.9 million) from the solar power business for the financial year ended 30 June 2020, a significant decrease compared to a revenue of approximately RMB389.6 million (equivalent to approximately HK$452.5 million) for the financial year ended 30 June 2019, as the Group secured and delivered a lower volume of contracts under a challenging market conditions.

Electrical Distribution System

To cope with the fierce competition in public housing development projects in Singapore, challenging environment in supply and installation of solar PV parts and equipment, and in line with corporate strategy in further fostering potential related business with good return potential, the Group commenced the provision of electrical distribution system, this refers to, supply and installation of electrical distribution system (this include distribution board, junction box, cables and switches etc) in the financial year ended 30 June 2020. The Group recorded a revenue of approximately RMB131.6 million (equivalent to approximately HK$147.0 million for the financial year ended 30 June 2020.

Electrical Engineering Services

For the financial year ended 30 June 2020, the electrical engineering services in Singapore recorded a minimal revenue of approximately S$0.5 million (equivalent to HK$2.7 million), compare to the S$3.2 million (equivalent to HK$18.2 million) revenue for the financial year ended 30 June 2019.

The decline in performance of this segment was due to keen competition in the market, together with the lower activities in overall Singapore construction business since second half of the year ended 30 June 2020. Under the recent market condition, the Group had adopted a conservative approach in the submission of new tender, hence the Group did not secure new projects in the financial year ended 30 June 2020. As at 30 June 2020 and 30 June 2019, the Group had no outstanding contracts on hand.

In addition, the Group had disposed of joint ventures and an associate primarily engaged in electrical engineering services during the year ended 30 June 2020 and for details, please refer to the section "Material Acquisitions and Disposals" on page 14.

Management Discussion and Analysis

BUSINESS PROSPECT

The released of 2018 Photovoltaic Power Generation Notice ("**Net Policy**") on May 2018, and the subsequent circular on construction of Wind and Photovoltaic ("**PV**") Power Generation Project ("**Circular**") on May 2019, lead to a transformation of PRC's PV industry to a market led, with focus on the development of non-subsidised projects (grid parity). Although subsidy would continue at a lower level before the grid parity could be achieved, the Group would expect that pressure on profitability and industry consolidation in the past financial year and also continue in the coming year.

In addition, the fierce competition in public housing development in Singapore and the uncertainty of the upcoming development of the trade war between the US and PRC also bring challenges to the Group.

In the current financial year, due to the outbreak of COVID-19, a number of provinces and cities in the PRC have activated the highest-level response to major public health emergencies by adopting stringent measure in social distancing, this included the suspension or limited services of transportation facilities and factories operation. Therefore, the Company's experience certain slow down and lapse of some contracts during the first half 2020 and the financial impact had been reflected in current year financial statements.

However, the Company believes the business over a longer period will recover after certain market consolidation. In addition, the board is closely monitor the development and impact of the continue outbreak of COVID-19 to the Group from time to time and formulating responses accordingly.

Looking ahead, the Group will continue to sustain its principal businesses and make solid efforts in seeking for good business opportunities so as to enhance the value of the shareholders of the Company.

FINANCIAL REVIEW

The Group's revenue decreased by 35.7% from approximately HK$470.7 million for the financial year ended 30 June 2019 to approximately HK$302.5 million for the financial year ended 30 June 2020. Loss attributable to owners of the Company and loss per share attributable to ordinary equity holders of the Company for the financial year ended 30 June 2020 amounted to approximately HK$74.9 million and HK$5.39 cents respectively compared to approximately HK$52.6 million and HK$3.78 cent respectively for the financial year ended 30 June 2019.

Financial Results

Revenue

For the financial year ended 30 June 2020, revenue of the Group comprises of revenue generated from the following three business segment of the Group:

Solar Power Business

The Group has recognised a revenue of approximately HK$152.9 million from the solar power business for the financial year ended 30 June 2020, a decrease of 66.2% compared to approximately HK$452.5 million from that of last year.

Electrical Distribution System

The Group's electrical distribution system business has contributed a revenue of approximately HK$147.0 million for the financial year ended 30 June 2020.

Electrical Engineering Services

For the financial year ended 30 June 2020, this business segment recorded a revenue of approximately HK$2.7 million, which represents a decrease of 85.2% from approximately HK$18.2 million for the financial year ended 30 June 2019. This is mainly attributable to lack of new project secured during the year, as a result to the adoption of conservative approach by the Group in submission of new tender under fierce competition and the lower activities in overall Singapore construction business since second half of the financial year ended 30 June 2020.

Management Discussion and Analysis

Operating Results

Gross profit margin of the Group slightly decreased by 2.1% from 10.4% for the financial year ended 30 June 2019 to 8.3% for the financial year ended 30 June 2020. This was attribute to the combined effect of the compressed gross profit margin in solar power business and a relatively higher profit margin from the electrical distribution system business.

The operating results of the Group has recorded a significant increase of loss from approximately HK$52.3 million for the financial year ended 30 June 2019 to approximately HK$74.6 million for the financial year ended 30 June 2020. This change is primarily attributable to the decrease in gross profit of HK$23.9 million to HK$25.1 million (2019: HK$49.0 million), increase in impairment loss to approximately HK$48.4 million (2019: HK$22.2 million) on goodwill relating to the solar power business, and the decrease in fair value loss on financial assets at fair value through profit or loss of approximately HK$11.0 million (2019: HK$35.2 million) for the financial year ended 30 June 2020.

Other Gains and Losses, Net

Other gains and losses had been decreased from a net loss of approximately HK$1.7 million for the year ended 30 June 2019 to a net loss of approximately HK$1.0 million for the financial year ended 30 June 2020. It was mainly due to the increase in interest income from provision of finance.

Change in Fair Value of Financial Assets at Fair Value through Profit or Loss, net

The decrease in the loss in fair value of financial assets is attributable to the decrease in fair value loss on financial assets at fair value through profit or loss by 68.8% to HK$11.0 million for the year ended 30 June 2020 (2019: HK$35.2 million).

Administrative Expenses

Administrative expenses for the financial year ended 30 June 2020 decreased by 2.7% to approximately HK$25.4 million (2019: HK$26.1 million).

Other Operating Expenses

Other operating expenses decreased from approximately HK$2.8 million for the financial year ended 30 June 2019 to approximately HK$1.2 million for the financial year ended 30 June 2020.

Impairment Loss Recognised in respect of Goodwill

In light of the cash flow projections of the solar power business for the next three years, the recoverable amount of the goodwill in relation to the solar power business as at 30 June 2020 was determined to be approximately HK$9.7 million (2018: HK$59.3 million), taking into account the valuation performed by an independent professional valuer. Accordingly, an impairment loss of approximately HK$48.4 million (2019: HK$22.2 million) was recognised. Details of the goodwill were set out in Note 12 to the consolidated financial statements.

Impairment assessment of Goodwill

The Company considers that the provision for the impairment was made based on the principle of prudence, and provided a full, true and fair reflection of the financial position of the Group and the value of its assets as at 30 June 2020. The Company also considers that the said provision for impairment is in line with the relevant provision of international accounting standards and the Company's accounting policies to reflect the fair value of the Company's assets, and to ensure the proper operation of the Company.

The valuers adopted the discounted cash flow model when determining the value in use of the CGU at the relevant time. Details regarding the methodology and key inputs for the impairment assessment as of 30 June 2020 and 30 June 2019 are set out in Note 12 to the consolidated financial statements and summarised below:

Valuation of the Kahuer Group as at 30 June 2020

The pre-tax discount rate applied to the cash flow projections is 24.28%. The projected sales for the forecasted was prepared base on (i) budgeted sales for the year ending 30 June 2021; and (ii) annualised growth rate of 12% per year for the year ending 30 June 2022 to year ending 30 June 2024.

The relevant key figures used to determine the value in use of the CGU are as follows:

Below is a table setting out the changes made to the relevant inputs used by the valuers for calculating the recoverable amount of the CGU at the relevant time and the relevant assumptions respectfully adopted.

Input	2019 valuation	2020 valuation	Reasons for change
Risk free rate used for calculation of pre-tax discount rate	3.24%	**3.14%**	Changes in market parameters during the period between the 2019 valuation date and the 2020 valuation date
Market premium used for calculation of pre-tax discount rate	8.54%	**8.77%**	
Re-levered Beta used for calculation of pre-tax discount rate	1.146	**1.144**	
Pre-tax discount rate	22.98%	**24.28%**	
Compound annual growth rate for projected revenues	5%	**12%**	Change in projected revenues (to be particularised below)

	Projected revenues (RMB million)			
Valuation Date	**FY 2020/21**	**FY 2021/22**	**FY 2022/23**	**FY 2023/24**
30.06.2020	**158**	**176**	**198**	**221**

	Projected revenues (RMB million)			
Valuation Date	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
30.06.2019	290	305	320	336

	Projected earnings before interest and tax (RMB million)			
Valuation Date	**FY 2020/21**	**FY 2021/22**	**FY 2022/23**	**FY 2023/24**
30.06.2020	**5**	**6**	**7**	**9**

Management Discussion and Analysis

	Projected earnings before interest and tax (RMB million)			
Valuation Date	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
30.06.2019	13	14	15	16

Assumptions adopted	
Valuation as at 30.06.2020	Valuation as at 30.06.2019
(i) There will be no major change in the existing political, legal and economic conditions in the PRC in which the CGU is being operated;	(i) There will be no major change in the existing political, legal and economic conditions in the PRC in which the CGU is being operated;
(ii) save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the CGU and its subsidiaries;	(ii) save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the CGU and its subsidiaries;
(iii) the interest rates and exchange rates will not differ materially from those presently prevailing;	(iii) the interest rates and exchange rates will not differ materially from those presently prevailing;
(iv) the availability of finance will not be a constraint on the forecast growth of the CGU's operations in accordance with the business plan and the projection;	(iv) the availability of finance will not be a constraint on the forecast growth of the CGU's operations in accordance with the business plan and the projection;
(v) the business forecast is based on reasonable grounds, reflecting estimates which have been arrived at after due and careful consideration by the management and will materialise;	(v) the business forecast is based on reasonable grounds, reflecting estimates which have been arrived at after due and careful consideration by the management and will materialise;
(vi) the facilities systems and the technology utilised by the CGU do not infringe any relevant regulations and law;	(vi) the facilities systems and the technology utilised by the CGU do not infringe any relevant regulations and law;
(vii) all equipment and facilities utilised by the CGU can perform efficiently and safely according to the purposes for which it was designed and built;	(vii) all equipment and facilities utilised by the CGU can perform efficiently and safely according to the purposes for which it was designed and built;

Management Discussion and Analysis

Assumptions adopted	
Valuation as at 30.06.2020	Valuation as at 30.06.2019
(viii) the CGU have obtained all necessary permits and approvals to carry out the business operations in the PRC and shall have no legal impediment in renewing those permits and approvals from time to time;	(viii) the CGU have obtained all necessary permits and approvals to carry out the business operations in the PRC and shall have no legal impediment in renewing those permits and approvals from time to time;
(ix) the CGU and its operating assets are free and clear of any lien, charge, option, pre-emption rights or other encumbrances or rights whatsoever;	(ix) the CGU and its operating assets are free and clear of any lien, charge, option, pre-emption rights or other encumbrances or rights whatsoever;
(x) the CGU shall secure and retain competent management, key personnel, marketing and technical staff to carry out and support the operations; and	(x) the CGU shall secure and retain competent management, key personnel, marketing and technical staff to carry out and support the operations; and
(xi) the estimated fair values do not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary recoverable amount of the CGU.	(xi) the estimated fair values do not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary recoverable amount of the CGU.

Share of Results of Joint Ventures

The Group's share of results of joint ventures had a profit of approximately HK$0.9 million (2019: profit of HK$12.2 million) for the financial year ended 30 June 2020, due to the disposal of joint ventures completed during the current financial year.

Share of Results of an Associate

The associate has shared a loss of approximately HK$0.7 million (2019: loss of HK$1.1 million), due to the disposal of an associate completed during the current financial year.

Income Tax Expense

Income tax expense decreased by 57.9% from approximately HK$9.5 million for the financial year ended 30 June 2019 to approximately HK$4.0 million for the financial year ended 30 June 2020. This is primarily attributable to the decrease in income tax expense charged on the assessable profit generated from the solar power business during the year.

Employment and Remuneration Policy

As at 30 June 2020, total number of employees of the Group was 14 (2019: 27). During the financial year ended 30 June 2020, employees costs (including Directors' emoluments) amounted to approximately HK$11.8 million (2019: HK$20.5 million). Remuneration of the employees which included salary, discretionary bonus and share-based incentives was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to qualified personnel.

Management Discussion and Analysis

Financial Position

As at 30 June 2020, total assets of the Group were approximately HK$416.2 million (30 June 2019: HK$481.0 million), representing a decrease of 13.5% as compared with that of 2019. In particular, non-current assets decreased by 84.7% to approximately HK$13.0 million (30 June 2019: HK$85.0 million), whereas current assets increased by 1.8% to approximately HK$403.2 million (30 June 2019: HK$396.0 million).

The decrease in non-current assets is mainly attributable to impairment of goodwill, disposal of joint ventures and an associate and increase in the right-of-use asset during the financial year ended 30 June 2020. On the other hand, the increase in current assets of the Group was attributed to the combination effect of increase in trade receivables, deposits and other receivables of approximately HK$12.2 million, increase in loan receivable of approximately HK$10.6 million, decrease in financial assets at fair value through profit and loss of approximately HK$11.0 million, and decrease in cash and cash equivalent of approximately HK$11.3 million attribute to the increase in current assets of the Group.

As at 30 June 2020, total liabilities of the Group amounted to approximately HK$68.6 million (30 June 2019: HK$50.5 million), an increase of 35.8% as compared with that of 2019. In particular, current liabilities increased by 33.9% to HK$67.6 million (30 June 2019: HK$50.5 million), whereas non-current liabilities increased by HK$1.0 million compared with the financial year ended 30 June 2019. The increase in current liabilities is mainly due to increase in trade payable and income tax payable. The increase in non-current liabilities was attributable to the increase in lease liability.

Total equity of the Company decreased by 19.3% to approximately HK$347.6 million as at 30 June 2020 (30 June 2019: HK$430.5 million). This is mainly due to the loss of the financial year of approximately HK$73.8 million.

Liquidity, Financial Resources and Gearing

As at 30 June 2020, the Group maintained net current assets of approximately HK$335.6 million (30 June 2019: HK$345.5 million). Besides, the Group maintained cash and cash equivalents of approximately HK$86.7 million, of which 10.4% and 69.8% were denominated in Hong Kong dollars and Singapore dollars respectively (30 June 2019: HK$98.0 million, of which 13.5% and 68.6% were denominated in Hong Kong dollars and Singapore dollars respectively).

As at 30 June 2020, the Group had no interest-bearing borrowings (30 June 2019: Nil). The Group's gearing ratio was not applicable as the amount of trade and other payables is less than cash and cash equivalents (30 June 2019: N/A), which was calculated on the basis of net debt over equity attributable to owners of the Company. Net debt is calculated as trade and other payables less cash and cash equivalents.

Charge on Assets

As at 30 June 2020, the Group had no charges on its assets (30 June 2019: Nil).

Capital Structure

(i) *2018 Placing*

On 14 February 2018, the Company entered into a placing agreement (the "**2018 Placing Agreement**") with RIFA Securities Limited, pursuant to which RIFA Securities Limited agreed to place 197,600,000 new shares of the Company to not less than six placees on a best effort basis at a placing price of HK$0.195 per placing share (the "**2018 Placing**"). The Placing was completed on 5 March 2018 and 197,600,000 new shares of the Company with an aggregate nominal value of HK$1,976,000 were allotted and issued by the Company to not less than six placees who were independent individuals, corporations and/or institutional investors, who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons.

The placing price of HK$0.195 represents (i) a discount of approximately 4.88% to the closing price of HK$0.205 per share as quoted on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 February 2018, being the date of the 2018 Placing Agreement; and (ii) a discount of approximately 4.41% to the average closing price of HK$0.204 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the 2018 Placing Agreement. The net placing price for the 2018 Placing was approximately HK$0.192 per placing share.

The 2018 Placing was conducted by the Company to raise additional funding for the business operations of the Group and strengthen the financial position of the Group for future development. The net proceeds amounting to approximately HK$38.0 million arising from the 2018 Placing was applied as general working capital of the Group.

As at 30 June 2019, the Group had fully utilised the net proceeds of the 2018 Placing and the following table sets out the breakdown of the use of proceeds:

Intended use of net proceeds	Allocation of net proceeds HK$ (million)	Utilisation up to 30 June 2019 HK$ (million)
General working capital of the Group	38.0	38.0

	Utilisation up to 30 June 2019 HK$ (million)
Human resources	6.8
Office utilities	2.8
Other general expenses	4.8
Working capital in respect of solar power business	23.6
Total	38.0

(ii) *2019 Placing*

On 14 March 2019, the Company entered into a placing agreement (the "**2019 Placing Agreement**") with RIFA Securities Limited, pursuant to which RIFA Securities Limited agreed to place up to 237,120,000 new shares of the Company to not less than six placees on a best effort basis at a placing price of HK$0.183 per placing share (the "**2019 Placing**"). The Placing was completed on 2 April 2019 and 204,680,000 new shares of the Company with an aggregate nominal value of HK$2,046,800 were allotted and issued by the Company to not less than six placees who were independent individuals, corporations and/or institutional investors, who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons.

The placing price of HK$0.183 represents (i) a discount of approximately 8.5% to the closing price of HK$0.2 per share as quoted on the Stock Exchange on 14 March 2019, being the date of the 2019 Placing Agreement; and (ii) a discount of approximately 9.6% to the average closing price of HK$0.202 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the 2019 Placing Agreement. The net placing price for the 2019 Placing was approximately HK$0.180 per placing share.

The 2019 Placing was conducted by the Company to raise additional funding for the business operations of the Group and strengthen the financial position of the Group for future development. The net proceeds amounting to approximately HK$36.9 million arising from the 2019 Placing shall be fully applied as general working capital of the Group.

As at 30 June 2020, the Group had utilised the net proceeds of the 2019 Placing as follows:

Intended use of net proceeds	Allocation of net proceeds HK$ (million)	Utilisation for the financial year ended 30 June 2019 HK$ (million)	Utilisation for the financial year ended 30 June 2020 HK$ (million)	Remaining balance of unused net proceeds as at 30 June 2020 HK$ (million)
General working capital of the Group	36.9	13.2	33.9	3.0

The following table sets out the breakdown of the use of proceeds of the 2019 Placing as general working capital of the Group:

	Utilisation for the financial year ended 30 June 2019 HK$ (million)	Utilisation for the financial year ended 30 June 2020 HK$ (million)	Intended use of remaining balance of unused net proceeds as at year ended 30 June 2020 HK$ (million)
Human resources	0.5	7.2	1.0
Office utilities	0.2	2.0	0.5
Other general expenses	0.5	4.7	1.5
General working capital in respect of solar power business	12.0	20.0	0.0
Total	13.2	33.9	3.0

The company expected that remaining balance of unused net proceeds to be utilised by 31 October 2020.

The utilised and the intended use of the remaining balance of unused net proceeds was and will be in accordance to the original intention disclosed in the announcement of the company dated 14 March 2019 in relation to the 2019 Placing.

Capital Expenditure and Commitments

During the financial year ended 30 June 2020, the Group had capital expenditure of approximately HK$3.0 million including right-of-use assets (2019: HK$2.0 million).

As at 30 June 2020 and 30 June 2019, the Group do not have commitments contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 30 June 2020, the Group had security bonds to the Singapore Government amounting to approximately HK$28,000 (30 June 2019: HK$288,000) in relation to foreign workers.

Significant Investments

As at 30 June 2020, the Group held certain listed securities as financial assets at fair value through profit or loss.

The Group identified its investments based on the share price performance and future prospect of the investments. For the financial year ended 30 June 2020, the Group received dividend income of HK$115,900 (2019: HK$4,150) from investment in listed securities and made a fair value loss of HK$11.0 million (2019: fair value loss of S$35.2 million) on financial assets of fair value through profit or loss. This fair value loss is mainly the combination effect of: (i) decrease in share price of 72.2% of Chi Ho Development Holdings Limited ("**Chi Ho**"); (ii) decrease in share price of 22.6% of Li Bao Ge Group Limited ("**Li Bao Ge**"); and (iii) increase in the share price of Pinestone Capital Limited ("**Pinestone**") of 110.7%; (iv) decrease in share price of 79.0% of SingAsia Holdings Limited ("**SingAsia HLDG**"); and (v) the fair value decrease attribute to the suspension of trade of the Shares of China Baoli Technologies Holdings Limited ("**China Baoli**") during the financial year ended 30 June 2020.

Details of all the financial assets at fair value through profit or loss were set out in Note 22 to the consolidated financial statements.

Pinestone is a Hong Kong-based financial services provider principally engaged in provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. The profit for the financial year ended 31 December 2019 of Pinestone is approximately HK$7.2 million. Turnaround from net loss to net profit was mainly attributable to an increase in interest income relating to securities-backed lending services and reduce in impairment loss (net) on receivables was recognised for the financial year ended 31 December 2019. Although in 2019, Hong Kong economy faced difficult headwind from domestic social unreset and Sino-US trade war uncertainty which resulted in deterred investors sentiment, Pinestone will continue to explore strategic opportunities to improve the product platform, broaden their business reach, cultivate corporate alliances collaborations to strengthen market position, improve and diversify the financial position and risk exposure to better positioned itself for further and sustainable long term growth in the future.

Li Bao Ge is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC. The loss attributable to the shareholder for the financial year ended 31 December 2019 of Li Bao Ge is approximately HK$59.3 million, compared to the recorded profit attributable to owners of the company of approximately HK$2.3 million for the financial year ended 31 December 2018. Such loss-making position for the year ended 31 December 2019, representing a deterioration of financial performance by approximately HK$61.6 million as compared to the last financial year, was mainly due to the combined effects (before the effect of adoption of HKFRS 16 "Leases" which does not have cash flow impact) of (i) the increase in aggregate operating losses of the Group's restaurant operations in Hong Kong by approximately HK$23.9 million; (ii) the decrease in aggregate operating profit of the Group's restaurant operations in Shenzhen, the PRC by appropriately HK$5.3 million; (iii) the incurring of aggregate operating losses of approximately HK$7.9 million in respect of the restaurants and tea houses of Li Bao Ge and its subsidiary(ies) newly opened in 2019 during their initial stages of operations; and (iv) the record of impairment losses on equipment and right-of-use assets of approximately HK$3.6 million and HK$18.2 million respectively in respect of Li Bao Ge's restaurants located in Sheung Wan and Central, Hong Kong.

SingAsia HLDG is principally engaged in the provision of manpower, outsourcing, recruitment, trading and cleaning services. SingAsia HLDG record a decrease in loss for the nine months ended 30 April 2020 to approximately S$0.8 million, compared with the loss for the nine months ended 30 April 2019 of approximately S$2.8 million.

Chi Ho is an established main contractor for the provision of renovation and maintenance works, alteration and addition works, and fitting-out works in Hong Kong. Chi Ho is responsible for the overall management, implementation and supervision of projects. Chi Ho focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried out by the employees and the subcontractors. The profit for the financial year ended 31 March 2020 of Chi Ho is approximately HK$19.5 million, which has increased by approximately HK$1.3 million compared to that of the profit of approximately HK$18.2 million previous year.

Although the market value had been declined as of 30 June 2020, and weak financial performance is noted from their latest published financial statement, the Company still holds positive views in a longer term and will regularly monitor the performance of those listed investment and take suitable action in due course.

China Baoli is principally engaged in mobile technologies business, tourism and hospitality business, gamma ray irradiation services, and securities trading and investment. According to the unaudited financial results of China Baoli for the year ended 31 March 2020, an improvement in the revenue level and the loss position is noted, as compared to the financial year ended 31 March 2019. As China Baoli had been suspended for trading for an extended period of time therefore an updated market value is not available for benchmarking the value of the Group's shareholding in China Baoli as of 30 June 2020. The Group had assessed fair value of the Group's shareholding in China Baoli with considering adjusted net asset value and a HK$246,000 fair value loss is recognised for the year ended 30 June 2020. The Group will closely monitor on the latest development of the resumption process of China Baoli and take appropriate investment decision from time to time.

Save for those disclosed above, and in Notes 1, 13, 14 and 22 to the consolidated financial statements, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the financial year ended 30 June 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF JOINT VENTURES AND ASSOCIATED COMPANIES

Disposal of Associate

On 15 January 2020, the Group entered into a disposal agreement with Mr. Low Tian Siang (the "**Mr. Low**"), an independent third party, pursuant to which the Group agreed to sell and Mr. Low agreed to acquire 50% of the issued share capital of SRM Electrical Engineering Pte Ltd at a total consideration of approximately S$180,000 (equivalent to approximately HK$1,036,000), this disposal had been completed on 17 January 2020.

Disposal of Joint Ventures

On 22 November 2019, the Group entered into a disposal agreement with Mr. Ng Eng Khim (the "**Mr. Ng**"), an independent third party, pursuant to which the Group agreed to sell and Mr. Ng agreed to acquire 50% of the issued share capital of NEK Electrical Engineering Pte Ltd at a total consideration of S$480,000 (equivalent to approximately HK$2,748,000), this disposal has been completed on 29 November 2019.

On 28 February 2020, the Group entered into a disposal agreement with Mr. Loh Voon Sheng (the "**Mr. Loh**"), an independent third party, pursuant to which the Group agreed to sell and Mr. Loh agreed to acquire 50% of the issued share capital of YL Integrated Pte Ltd at a total consideration of S$3,235,000 (equivalent to approximately HK$18,079,000), this disposal had been completed on 2 March 2020.

Management Discussion and Analysis

Save as disclosed above, there were no other material acquisitions or disposals of joint ventures and associated companies during the financial year ended 30 June 2020.

Cash Flow

The Group reported net cash flows of approximately HK$30.8 million (2019: HK$23.8 million) used in operating activities for the financial year ended 30 June 2020. The decrease in net cash used is primarily due to the decrease in the trade and other receivables in the solar power business.

Net cash generated from investing activities is approximately HK$23.3 million for the financial year ended 30 June 2020 (2019: HK$1.3 million). This is mainly attributable to the proceeds received from the disposal of the interest of joint ventures and an associate.

Net cash flows generated from financing activities mainly attributed to approximately HK$37.1 million proceeds from issue of shares for the financial year ended 30 June 2019, while the cash flows used in financial activities is approximately HK$0.5 million for the financial year ended 30 June 2020.

Financial Ratios

The following table shows the key financial ratios indicating the performance of the Group for the last five financial years:

Financial year ended 30 June	2020	2019	2018	2017	2016
Gross profit margin (%)[1]	**8.3**	10.4	8.0	33.4	14.1
Net profit margin (%)[2]	**N/A[8]**	N/A[8]	N/A[8]	N/A[8]	18.5
Return on assets (%)[3]	**N/A[8]**	N/A[8]	0.3	N/A[8]	4.0

As at 30 June	2020	2019	2018	2017	2016
Gearing ratio[4]	**0.0**	0.0	0.0	7.1	9.9
Current ratio[5]	**6.0**	7.8	4.0	2.6	2.9
Average trade receivables collection period (days)[6]	**269.1**	172.2	189.2	101.2	75.6
Average trade payables repayment period (days)[7]	**17.3**	14.0	26.6	59.2	68.2

Note

1. Gross profit margin = Gross profit/Revenue x 100%
2. Net profit margin = Net profit/Revenue x 100%
3. Return on assets = Net profit before tax/Total assets
4. Gearing ratio = Net debt/Equity attributable to owners of the Company
5. Current ratio = Current assets/Current liabilities
6. Average trade receivables collection period = (Average trade receivables + Bill receivables/Revenue) x 365
7. Average trade payables repayment period = (Average trade payables/Purchases) x 365
8. The ratio is not applicable as the Group suffered a net loss for the financial year

The decrease in gross profit margin for the financial year ended 30 June 2020 was mainly due to the combined effect of the compressed gross profit margin in solar power business and a relatively higher profit margin from the electrical distribution system business.

The increase in average trade receivables collection period of 269.1 days for the financial year ended 30 June 2020 is primarily attributable to decrease in average revenue of the Group together with a higher sales volume in the second half of the financial year ended 30 June 2020.

The Group always maintains good and prompt payment relationship with the suppliers to achieve overall benefit for the on-going and future purchase pricing. The repayment period was slightly increase mainly due to decrease in purchases according to decrease in sales order received for the financial year ended 30 June 2020.

RISK MANAGEMENT

The Group faces certain risks and uncertainties in its operations which are outlined as below. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas.

	Risk	Description and Mitigation
Financial and Economic Risk	**Liquidity risk management**	Each business segment of the Group is responsible for its own cash management. The Group's policy is to regularly monitor its liquidity requirements so as to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions (when applicable) to meet its liquidity requirements in the short and longer term. The Group's cash and cash equivalents as at 30 June 2020 was maintained at a satisfactory level. Save as disclosed in Note 23 to the consolidated financial statements, the Group had no significant capital commitment.
	Contingent liabilities	Save as disclosed in Note 30 to the consolidated financial statements, the Group had no significant contingent liabilities as at 30 June 2020.

Management Discussion and Analysis

Risk	Description and Mitigation
Foreign currency risk	The Group's business mainly operates in Singapore and the PRC, accordingly, its revenue and transactions arising from its operations were generally settled in Renminbi ("**RMB**") and Singapore dollars ("**SG$**") whereas the bank balance of the Company was principally denominated in RMB and SG$ dollars. As a result, fluctuations in the value of RMB and SG$ against Hong Kong dollars could adversely affect the cash and cash equivalent which is reported in Hong Kong dollars. During the financial year ended 30 June 2020, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation. The Group did not use any financial instruments for hedging purposes during the year and there were no hedging instruments outstanding as at 30 June 2020. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.
Credit risk	The Group's credit risk is primarily attributable to trade receivables and loan receivables. Credit evaluations are performed on all credit customers focusing on the customer's history of payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 120 to 180 days from the date of billing and the loan receivables are due on the maturity date specified in the loan agreement. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment. As disclosed in Note 36 to the consolidated financial statements, the Group has certain concentration risk in respect of trade receivables due from the Group's two (2019: two) largest customers who accounted for approximately 85.4% and 90.0% of the Group's total trade receivables as at 30 June 2020 and 30 June 2019 respectively. The credit risk exposure to trade receivables balance and loan receivable balance has been and will continue to be monitored by the Group on an ongoing basis.

Management Discussion and Analysis

	Risk	Description and Mitigation
	Delay and cost overrun risk	Delay in the Group's project may put burdens on billings, material and labour costs that adversely affects the Group's revenue and financial performance. The duration of the Group's projects generally ranges between 6 to 48 months. Moreover, any damages caused by the Group may result in the liquidated damages penalty payable to the contracting parties. The Group continues to implement stringent budget control management. In addition, proper and detailed project planning is applied to avoid design error or faulty contractual management or other defaults.
	Equity price risk	The Group held listed securities in Hong Kong for investment purpose. The reduction in the fair value of the listing securities resulting from changes in the levels of value of the securities will adversely impact on the Group's financial performance.
	Economic environment	The Group's primary facilities and operations are located in Singapore and the PRC while 0.9% and 99.1% of its revenue is derived from Singapore and PRC, respectively. The Group's results of operations and financial condition therefore depend on the economies of Singapore and the PRC. The economic growth of Singapore became moderate in recent years while that of the PRC is slowing down. In this connection, any reduction in Singapore government expenditure on public housing may have a negative impact on the Group's results of operations and financial condition. The contraction of the PRC business activities may also hinder the development of solar power business of the Group so that the Group's income may be negatively impacted.
Operational Risk	**Availability, recruitment and retention of skilled resources**	The Group's business is highly dependent on skilled, semi-skilled and unskilled foreign workers as the local construction labour in Singapore is limited and costly. Any shortage in the supply of foreign workers or increase in Foreign Worker Levy, or any entry restrictions on foreign labour importation will adversely affect the Group's operations and financial performance. As at 30 June 2020, approximately 41.2% (As at 30 June 2019, approximately 55.5%) of the workforce was made up of foreign workers.

Management Discussion and Analysis

Risk	Description and Mitigation
Health and safety	Under the Workplace Safety and Health Act of Singapore, every employer has the duty to take, so far as reasonably practicable, such measures which are necessary to ensure the safety and health of his employees at work. The Workplace Safety and Health (Construction) Regulations 2007 sets out specific duties on employers which include, inter alias, appointing a workplace safety and health coordinator in respect of every worksite to assist and identify any unsafe condition in the worksite, unsafe work practice which is carried out in the worksite and recommend and assist in the implementation of reasonably practicable measures to remedy the unsafe condition or unsafe work practice. The Group has obtained the relevant certifications to meet these requirements which are subject to renewal in every 3 years. The Law of the People's Republic of China on Work Safety (中華人民共和國安全生產法) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法) aim at creating standards of conditions for employment, enhancing occupation safety and health and improving working conditions in PRC. Generally, the construction and installation works of the solar PV projects are outsourced and accordingly, the risk of non-conformity is minimal.
Qualifications, licences and permit	The business and construction activities of the Group in Singapore are regulated by the Building and Construction Authority of Singapore ("**BCA**") and other regulatory bodies. These regulatory bodies stipulate the criteria that must be satisfied before permits and licences are granted to, and/or renewed for, the Group's business. The renewal of the permits and licences is subject to compliance with the relevant regulations. Any non-renewal in the Group's existing BCA workhead categories may result in the Group not being qualified to participate in certain projects, which would lead to a reduction in the number of project opportunities for the Group. This would, in turn, create an adverse impact on the Group's operations and financial performance. The Group keeps monitoring closely the regulatory developments and licensing requirements in order to ensure compliance with the requirements to renew the relevant qualifications, licences and permits.

Management Discussion and Analysis

	Risk	Description and Mitigation
Regulation and compliance risks	**Legal and regulatory compliance**	The Group faces local legal risks in Singapore, Hong Kong and the PRC. Such risks might have significant impacts on the financial condition, operations and business prospects of the Group in the relevant markets. The investments of the Group in Singapore, Hong Kong and the PRC might at present or in future be affected by changes in local, national or international political, social, legal, tax, regulatory and environmental requirements from time to time. In addition, new government policies or measures, if introducing changes in fiscal, tax, regulatory, environmental or other aspects that may affect competitiveness, could result in an additional or unforeseen increase in operating expenses and capital expenditures, produce risks to the overall return on investments of the Group, and delay or impede its business operations and hence adversely affect revenues and profits. The Group keeps monitoring regulatory developments and, where necessary, obtain expert legal advice for the updated regulatory changes and the Board is informed of any regulatory updates on a timely manner.
Other external risks and uncertainty	**Government policies**	The favourable policies of the PRC government towards renewable energy may change from time to time. Reduction in subsidies from the PRC government to the solar PV power business will hinder the revenue and profitability of the Group. Besides, the Singapore business is highly dependent on the projects pipelined by the Housing and Development Board of Singapore ("**HDB**"). Prospective unfavourable changes in the Singapore government housing policy and the level of Singapore government's spending budget on public housing may adversely affect the Group's operational and financial performance. The Group continues to explore new opportunities in non-government housing sectors and other ventures to diversify its business.

Risk	Description and Mitigation
Competition	The Group provides (i) electrical engineering services to the Singapore construction industry; (ii) solar PV system installation services to the PRC users on project basis, and the duration of the projects usually ranges between 6 to 18 months; and (iii) electrical distribution system in the PRC. As such, the Group's revenue is not recurring in nature and the Group has to go through a competitive quotation or negotiation process to secure new projects. In the event the Group is unable to maintain business relationship with existing customers or unable to price the tender or quotation competitively, the business and financial performance of the Group may be adversely affected. The Group continues to develop and maintain long-term relations with customers by advancing its skills and technology and enhancing its supply chain quality to achieve cost efficiency so as to improve tender pricing.

The Group is committed to monitor and manage its risks in order to identify and assess risks of major projects and key businesses at all levels. Through risk reports on weaknesses and potential risks, the Group supervises and implements risk management and control measures to improve its comprehensive risk management practices and initiatives across the Group.

Directors' Report

The board (the "**Board**") of directors (the "**Directors**") of Kingbo Strike Limited (the "**Company**", together with its subsidiaries the "**Group**") is pleased to present their annual report together with the audited consolidated financial statements for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in Note 1 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the financial year ended 30 June 2020 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

DIVIDENDS

The declaration and payment of dividends shall be determined at the sole discretion of the Board after taking into account the Company's financial performances, working capital requirements, future prospects and other factors, and subject to the Articles of Association of the Company (the "**Articles of Association**") and all applicable laws and regulations of the Cayman Islands.

The Directors did not declare any interim or final dividend for the financial year ended 30 June 2020 (2019: Nil).

DISTRIBUTABLE RESERVES

As at 30 June 2020, the Company's distributable reserves amounted to HK$166,764,000 (2019: HK$175,334,000).

Details of the movements in the respective reserves of the Group and the Company during the financial year ended 30 June 2020 are set out in the Consolidated Statement of Changes in Equity and Notes 28 and 39 to the consolidated financial statements.

PLANT AND EQUIPMENT

Details of the movements of plant and equipment during the financial year ended 30 June 2020 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the financial year ended 30 June 2020 are set out in Note 27 to the consolidated financial statement.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five financial year ended 30 June 2020 is set out on page 150 of the annual report.

Directors' Report

DIRECTORS

The Directors who held office during the financial year ended 30 June 2020 and up to the date of this report were:

Executive Directors

Mr. Liu Yancheng *(Chairman)*
Mr. Yao Runxiong

Non-executive Director

Mr. Tam Tak Wah

Independent Non-executive Directors

Mr. Leung Po Hon
Dr. Luo Xiaodong
Mr. Li Jin

In accordance with article 84(1) of the Articles of Association of the Company, Mr. Yao Runxiong and Mr. Tam Tak Wah shall retire by rotation in the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' Interests in Securities" in this report, at no time during the financial year ended 30 June 2020 was the Company or any of subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' Report

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the financial year ended 30 June 2020.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into letters of appointment or service contracts with the Company or its subsidiaries.

As at 30 June 2020, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiary which is not terminable by the Company within 1 year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section "Related Party Transactions" in Note 29 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the financial year or at any time during the financial year ended 30 June 2020.

PERMITTED INDEMNITY PROVISION

Pursuant to article 164(1) of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur or sustain by in connection with the execution of their duty. The Company has arranged directors' and officers' liability insurance policy of the Company during the financial year ended 30 June 2020.

COMPETING INTERESTS

None of the Directors of the Company and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in the section "Related Party Transactions" in Note 29 to the consolidated financial statements which were fully exempt from the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the Group did not enter into any connected or continuing connected transactions during the financial year ended 30 June 2020.

SHARE OPTION SCHEME

A new share option scheme was adopted by the Company following the resolution passed at the annual general meeting of the Company held on 20 October 2017. The main purpose of the scheme is to provide incentives and rewards to the eligible participants including full time or part time employees of the Group (including any directors); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group.

There were no share options granted under the scheme since its adoption.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2020, the interests and short positions of each Director 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 were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have taken under such provisions of the SFO); (ii) recorded in the register kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions in Shares and Underlying Shares of the Company

Director	Capacity/Nature	Number of shares held/ interested in	Percentage of interest in the Company
Mr. Liu Yancheng	Beneficial owner	7,600,000	0.55%
	Interest of spouse *(Note 1)*	5,000,000	0.36%
Mr. Yao Runxiong	Beneficial owner	12,050,000	0.87%
	Interest of spouse *(Note 2)*	18,630,000	1.34%

Notes:

1. 5,000,000 shares of the Company are legally and beneficially owned by Ms. Zhang Juanying, the spouse of Mr. Liu Yancheng. Mr. Liu Yancheng is therefore deemed to be interested in the 5,000,000 shares of the Company for the purposes of the SFO.

2. 18,630,000 shares of the Company are legally and beneficially owned by Ms. Zhuang Yanzhu, the spouse of Mr. Yao Runxiong. Mr. Yao Runxiong is therefore deemed to be interested in the 18,630,000 shares of the Company for the purposes of the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2020, the Company has not been notified by any person or entity who had or was deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of SFO.

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position can be found in the "Management Discussion and Analysis" set out on pages 4 to 21 of this annual report. These discussions form part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Further discussion and analysis of the principal risks and uncertainties facing the Group faces can be found in the "Management Discussion and Analysis" set out on pages 4 to 21 of this annual report. The above section forms part of this report.

CORPORATE GOVERNANCE

Subject to the deviations as disclosed in the Corporate Governance Report set out on pages 32 to 44 of this annual report, the Company has complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year ended 30 June 2020 is as follows:

	Percentage of the Group's total revenue	
	2020	2019
The largest customer in aggregate	**46.8%**	45.2%
Five largest customers in aggregate	**99.9%**	98.1%

	Percentage of the Group's total purchase	
	2020	2019
The largest supplier in aggregate	**46.7%**	64.6%
Five largest suppliers in aggregate	**99.0%**	96.9%

So far as the Directors are aware, the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's total number of issued shares) do not have any interest in these major customers and suppliers during the financial year ended 30 June 2020.

PRE-EMPTIVE RIGHTS

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

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

During the financial year ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company maintained a sufficient public float as required under the Listing Rules during the financial year ended 30 June 2020 and up to the date of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and that the Company still considers such Directors to be independent.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is devoted to promoting and maintaining the environmental and social sustainable development of the regions where it operates. The Group takes into account of environmental protection issues in making reasonable use of various energy, resources and materials. The Group did not experience any cases of non-compliance relating to environmental laws and regulations in the PRC, Singapore and Hong Kong.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business mainly operates in Singapore and the PRC and the Company itself is listed on the Stock Exchange. Our operations accordingly shall comply with relevant laws and regulations in the regions. During the financial year ended 30 June 2020, the Group did not breach any law and regulation that has significant impact on the Company.

AUDITOR

The consolidated financial statements for the financial year ended 30 June 2020 have been audited by HLB Hodgson Impey Cheng Limited who will retire and offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

By Order of the Board
Liu Yancheng
Chairman

Hong Kong, 23 September 2020

Profile of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Liu Yancheng

Mr. Liu Yancheng ("**Mr. Liu**"), aged 52, was appointed as an executive Director on 5 January 2017 and redesignated as the chairman of the Board (the "**Chairman**") on 1 March 2017. Mr. Liu is also a director of certain subsidiaries of the Company. Mr. Liu has over 25 years of diversified business experience in the PRC spanning property and hotel investments, electronic communications and digital electronics as well as financing and leasing. Mr. Liu founded the first micro-lending company in Guangzhou in 2010.

Yao Runxiong

Mr. Yao Runxiong, aged 58, was appointed as executive director on 25 October 2017. He is the founder and currently a director of 金大福珠寶有限公司 (for transliteration purpose only, King Tai Fook Company Limited), a company established in the PRC and principally engaged in jewellery business in the PRC. He has over 20 years of experience in management and development of jewellery business in the PRC.

Non-executive Director

Tam Tak Wah

Mr. Tam Tak Wah, aged 55, was appointed as a non-executive Director on 17 November 2014. He is a fellow member of the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") and a fellow member of the Association of Chartered Certified Accountants ("**ACCA**"). He has over 30 years of experience in accounting, corporate finance and corporate development. He is currently an independent non-executive director of Future World Holdings Limited (stock code: 572) and he was an executive director of Golden Century International Holdings Group Limited (stock code: 91), having resigned in May 2020, both are listed on the Main Board of the Stock Exchange.

Profile of Directors and Senior Management

Independent Non-executive Directors

Leung Po Hon

Mr. Leung Po Hon ("**Mr. Leung**"), aged 56, was appointed as an independent non-executive Director on 13 November 2015. He is currently a practicing Accountant. Mr. Leung graduated and obtained a Professional Diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1987. Mr. Leung obtained a Master Degree in Business Administration of University of Bradford of the United Kingdom in December 1990. He has been a member of HKICPA since January 1993 and a fellow member of the ACCA since January 1997. Mr. Leung has more than 25 years of experience in accounting, auditing and financial management and is currently an independent non-executive director of Flying Financial Service Holdings Limited (stock code: 8030) and MediNet Group Limited (stock code: 8161), both being companies listed on Stock Exchange. Mr. Leung was also an independent non-executive director of China Asia Valley Group Limited (formerly name: China Graphene Group Limited) (stock code: 63) and Success Dragon International Holdings Limited (stock code: 1182), the shares of which are listed on the Stock Exchange, having resigned in November 2017 and retired in August 2016 respectively therefrom.

Li Jin

Mr. Li Jin, aged 53, was appointed as an independent non-executive Director on 30 June 2017. He obtained a bachelor's degree in biology from Peking University in the PRC in 1989. He also obtained a master degree in biochemistry from the University of Michigan in 1991, and a juris doctor degree from the School of Law, Columbia University in 1994 in the United States. He has over 20 years of experience in the areas of commercial law, corporate finance and joint ventures as an attorney in New York and was a partner at Linklaters (Hong Kong) and Horizon Law firm (Shenzhen). He has been appointed as the Chief Financial Officer of Sungy Mobile Limited, a company listed on the NASDAQ Global Select Market in the United States (stock code: GOMO), from July 2013 to August 2014. He had also been appointed as the independent non-executive director of ZTE Corporation (stock code: 763), the shares of which are listed on the Stock Exchange, from June 2004 to June 2010.

Luo Xiaodong

Dr. Luo Xiaodong ("**Dr. Luo**"), aged 34, was appointed as an independent non-executive Director on 5 January 2017. He graduated from Shandong University with a bachelor's degree in civil engineering in 2009. He further obtained a master's degree in structure engineering from the University of Dundee in 2011 and a doctorate degree in civil engineering from the University of Hong Kong in 2016. Dr. Luo has been working in the construction industry since 2016.

Profile of Directors and Senior Management

SENIOR MANAGEMENT

Yeo Jiew Yew

Mr. Yeo Jiew Yew ("**Mr. Yeo**"), aged 65, the founder of the Group, was appointed as an executive Director on 19 June 2013 and re-designated as the Managing Director on 9 December 2013. He retired at the annual general meeting held on 13 February 2017 and did not offer himself for re-election as the Managing Director so as to focus on the Singapore business and operation of the Group. He is the director of the wholly-owned subsidiary of the Company, Strike Electrical Engineering Pte Ltd ("**Strike Singapore**"). Mr. Yeo started his career as an electrical apprentice in 1969 and has over 30 years of experience in the electrical engineering industry. He is a shareholder and a director of Victrad Enterprise (Pte) Limited ("**Victrad**"), which is a related company of the Group. Mr. Yeo was also a non-executive director of Lantrovision (S) Ltd, a company previously listed on Singapore Exchange Securities Trading Limited and he resigned in June 2016. Mr. Yeo is a member of the school management committee of Pei Chun Public School, a primary school in Singapore since 1996. Mr. Yeo is the brother of Mr. Sim Yew Heng.

Sim Yew Heng

Mr. Sim Yew Heng ("**Mr. Sim**"), aged 59, started his career in 1976 as an electrical apprentice with an electrical engineering subcontractor and has over 30 years of experience in the electrical engineering industry projects. Mr. Sim is the director of Strike Singapore. Mr. Sim is also a shareholder and a director of Victrad. Mr. Sim is the brother of Mr. Yeo Jiew Yew.

Dai Yong

Mr. Dai Yong ("**Mr. Dai**"), aged 43, has been appointed as the Project Director of the Company since 11 October 2016 and re-designated as the Chief Operating Officer of the Company since 1 November 2018. Mr. Dai holds a bachelor's degree from Huaihai Institute of Technology. He worked in Zhenjiang Eaton Electric Limited, a Sino-American joint venture, from 1999 to 2008, engaging in the sales management and network expansion of power transmission and distribution products of 110KV and below. From 2009 to 2016, he served as the general manager of Tianjin Kaihe Dianli Keji Limited, which is primarily engaged in the development and implementation of related businesses in the fields of power transmission and distribution products, PV power station ancillary products and PV power station solutions. Mr. Dai has over 15 years of experience in electric product and PV new energy related industries. He is mainly responsible for the design, installation and operation of the solar power station projects in the Group.

Ng Kwok Leung

Mr. Ng Kwok Leung ("**Mr. Ng**"), aged 38, has been appointed as Group Financial Controller of the Group since October 2017 and has been appointed as Company Secretary of the Company in December 2019. Mr. Ng obtained a Bachelor of Arts (Honours) degree in Accountancy from the Hong Kong Polytechnic University, and subsequently obtained a Master of Science in Professional Accountancy from the University of London. He has over 15 years of experience in corporate finance, accounting and auditing fields. Prior to his appointment, Mr Ng had served in a company listed on the Main Board of the Stock Exchange and an international accountants firm. Mr. Ng is a fellow member of the ACCA and fellow member of the HKICPA.

Corporate Governance Report

Kingbo Strike Limited (the "**Company**", together with its subsidiaries, the "**Group**") is committed to establish and maintain high standard of corporate governance. The Company believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and maximise shareholders' interests.

The Company has applied the principles of Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and complied with all applicable code provisions of the CG Code throughout the financial year ended 30 June 2020, save and except for the deviations from code provisions A.2.1.

Code provision A.2.1

Code provision A.2.1 of the CG Code stated that the roles of chairman and managing director should be separate and should not be performed by the same individual. On 13 February 2017, Mr. Yeo Jiew Yew ("**Mr. Yeo**") retired and did not offer himself for re-election as an executive director and also ceased to be the managing director (the "**Managing Director**") of the Group. As the Company did not appoint any person to replace Mr. Yeo as the Managing Director, this deviates from code provision A.2.1 of the CG Code.

The chairman of the board (the "**Board**") of directors of the Company (the "**Chairman**"), Mr. Liu Yancheng is responsible for the general operations of the Board and the overall strategy of the Group whereby the ex-Managing Director, Mr. Yeo, who remains as the director of a wholly-owned subsidiary of the Company, Strike Electrical Engineering Pte Ltd ("**Strike Singapore**") continues to be responsible for the overall management, strategic planning and business development of the Group's business operations in Singapore. The roles and functions of Mr. Yeo for the Group thereby has not changed subsequent to his retirement as the Managing Director. The Board therefore considers that this structure would not impair the balance of power and authority between the directors and the management of the Group.

The Board understands the importance of complying with the code provision A.2.1 of the CG Code and will continue to consider the feasibility of compliance. If compliance is determined, appropriate persons will be nominated to take up the different roles of the Chairman and the Managing Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the financial year ended 30 June 2020.

THE BOARD

The Board guides and monitors the business and affairs of the Company to enhance long-term shareholders' value. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure that processes and procedures are in place to achieve the Company's corporate governance objectives.

Chairman and Chief Executive Officer

The Company does not have any officer with the title of "chief executive officer".

The Chairman is responsible for the general operations of the Board and the overall strategy of the Group whereby the ex-Managing Director, Mr. Yeo, who remains as the director of Strike Singapore, continues to be responsible for the overall management, strategic planning and business development of the Group's business operations in Singapore. The roles and functions of Mr. Yeo for the Group thereby has not changed subsequent to his retirement as the Managing Director. The Board therefore considers that this structure would not impair the balance of power and authority between the directors and the management of Company.

The Board understands the importance of complying with the code provision A.2.1 of the CG Code and will continue to consider the feasibility of compliance. If compliance is determined, appropriate persons will be nominated to take up the different roles of the Chairman and the Managing Director.

Board Composition

As at 30 June 2020, the Board comprises two executive Directors, one non-executive Director and three Independent non-executive Directors.

The members of the Board are set out as below:

Executive Directors:
Mr. Liu Yancheng *(Chairman)*
Mr. Yao Runxiong

Non-executive Director:
Mr. Tam Tak Wah

Independent Non-executive Directors:
Mr. Leung Po Hon
Mr. Li Jin
Dr. Luo Xiaodong

The composition of the Board is reviewed regularly to ensure that it has a good balance of expertise, skills and experience which can meet the requirements of the business of the Company. The Board includes three independent non-executive Directors, in which Mr. Leung Po Hon is a certified public accountant in Hong Kong. Mr. Leung possesses extensive experience in the accountancy profession and has appropriate accounting and related financial management expertise. The biographical details of the Directors are set out under the section headed "Profile of Directors and Senior Management" on pages 29 to 31.

During the financial year ended 30 June 2020, the executive Directors and the independent non-executive Directors provided the Group with wide range of valuable business experience, knowledge and professionalism. The active participation of the independent non-executive directors in the Board and committee meetings brought independent judgement on issues relating to the Group's strategy, performance and management process, taking into account the interests of the shareholders of the Company (the "**Shareholders**").

Responsibilities of the Board

The Board is responsible for the leadership and control of the Company. The Board determines the overall strategies, monitors and controls operating and financial performance, sets objectives and business development plans and makes key decisions of the Company. The day-to-day management and operation are delegated to the executive Directors and senior management. The delegated functions are closely supervised by the Board to ensure effectiveness and alignment with the overall strategies of the Company. Approval has to be obtained from the Board prior to any significant transactions to be entered into by the senior management.

The Board is also entrusted with the overall responsibility of developing, maintaining and reviewing sound and effective corporate governance policies within the Group and is committed to ensuring that an effective corporate governance is put in place to continuously review and improve the corporate governance practices within the Group.

All Directors have access to relevant information in relation to the Company as well as the advices and services of the Company Secretary, if and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advices for them to discharge their duties and responsibilities, where appropriate at the expenses of the Company.

Save as disclosed in the section headed "Profile of Directors and Senior Management" in this annual report, there is no financial, business, family or other material relationships among members of the Board.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. Reasonable notice in advance of a Board meeting is normally given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors reasonably in advance before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). All minutes and/or resolutions are kept by the Company and are open for inspection by any Directors.

Whereas a Director has conflict of interest in a matter to be considered by the Board and the Board has determined that it is material, such matter will then be dealt with by the Board at a duly convened Board meeting. The Articles of Association stipulates that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his associates have a material interest.

Each Director can have access to Board papers and other related materials and have access to the advice and services of the Company Secretary. The Board and individual Director also have separate and independent access to the senior management of the Company. Directors are continuously updated with the major developments of the Listing Rules and other applicable regulatory requirements so as to ensure the Company’s compliance with and upkeep of good corporate governance practices. In addition, Directors are allowed to seek independent professional advice in appropriate circumstances for discharging their duties at the expense of the Company.

Independent Non-executive Directors

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board and the Nomination Committee have reviewed the independence of the Independent Non-executive Directors and considered all independent non-executive Directors are independent within the definition of the Listing Rules.

All independent non-executive Directors were appointed with specific term and are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association.

Directors Commitments and Continuous Professional Development

The Company has received confirmation from each Director that he has given sufficient time and attention to the affairs of the Company for the financial year ended 30 June 2020. Directors have disclosed to the Company the number and nature of offices they hold in Hong Kong and overseas listed public companies or organisations.

Each newly appointed Director receives an induction at his appointment to ensure that he has proper understanding of the operations and business of the Group and is fully aware of his responsibilities and obligations under the Listing Rules, applicable laws and other relevant statutory requirements. Directors are continually provided with updates on statutory and regulatory developments, evolution of the business environment so as to facilitate them to discharge their duties.

According to the records maintained by the Company, Directors received continuous professional development with an emphasis on the roles, functions and duties of being a director of a listed company in compliance with Code Provision A.6.5 of the CG Code during the financial year ended 30 June 2020:

	Corporate governance/ updates on laws, rules and regulations	Accounting/ financial/ management or other professional skills
Executive Directors		
Mr. Liu Yancheng	✓	N/A
Mr. Yao Runxiong	✓	N/A
Non-executive Director		
Mr. Tam Tak Wah	✓	✓
Independent Non-executive Directors		
Mr. Leung Po Hon	✓	✓
Mr. Li Jin	✓	N/A
Dr. Luo Xiaodong	✓	N/A

Directors and Officers Policy

During the financial year ended 30 June 2020, appropriate insurance coverage on directors' and officers' liabilities has been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Audit Committee consists of four non-executive Directors, of whom three are independent, namely,

Mr. Leung Po Hon *(Chairman)*
Mr. Li Jin
Dr. Luo Xiaodong
Mr. Tam Tak Wah

The primary terms of the Audit Committee are as follows:

On external audit:

- make recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor's independence as well as the objectives and effectiveness of the audit process in accordance with applicable standards;
- discuss with the external auditor before the audit commences on the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved; and
- develop and implement policy on the engagement of the external auditor to provide non-audit services.

On annual financial results:

- monitor integrity of the interim and annual reports and accounts, and review significant financial reporting judgements contained therein before submission to the Board;
- review the Group's financial and accounting policies and practices;
- review external auditor's management letter for any material queries raised by the auditor to the management in respect of accounting records, financial accounts or system of control and management response; and
- consider any significant or unusual items that are, or may need to be, reflected in the interim and annual reports and accounts and give due consideration to any matters that have been raised by the Group.

On internal control and risk management:

- review the Group's financial controls and its internal control and risk management systems;
- discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget;
- consider any findings of major investigation of internal control matters as delegated by the Board or on its own initiative and management's responses thereto;
- ensure co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- report to the Board on the matters raised in the CG Code.

The Audit Committee had reviewed the Group's annual results and consolidated financial statements for the year ended 30 June 2020. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Remuneration Committee consists of four members, of whom three are independent non-executive Directors, one is non-executive Director and the remaining one is executive Director, namely,

Mr. Leung Po Hon *(Chairman)*
Mr. Li Jin
Dr. Luo Xiaodong
Mr. Tam Tak Wah

The roles and functions of the Remuneration Committee are set out in its terms of reference which are posted on the websites of Stock Exchange and the Company. Primary terms include:

- making recommendations to the Board on policy and structure of remuneration of the Directors and senior management whereby the Board has the final authority to approve the remuneration of Directors and senior management;
- making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management; and
- ensuring no Directors or any of their associates are involved in deciding their own remuneration packages and objectives and compensation arrangements relating to dismissal or removal of Directors.

The remuneration package of each Director is determined by reference to the prevailing market conditions, his duties and responsibilities to the Company and the Company's remuneration policy.

During the financial year ended 30 June 2020, the Remuneration Committee had held two meetings to discuss the remuneration policy and review the remuneration of the Board, and make recommendations to the Board having taken into consideration of the current situation of the economy and the results of the Group.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the financial year ended 30 June 2020 is set out below:

Annual remuneration (by band)	Number of individuals
HK$1,000,000 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2

Further particulars of Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 9 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Nomination Committee consists of four members, of whom three are independent non-executive Directors and one is executive Director, namely,

Mr. Liu Yancheng *(Chairman)*
Mr. Leung Po Hon
Mr. Li Jin
Dr. Luo Xiaodong

With the aim to build up a strong and diverse Board, the Nomination Committee would identify suitable and qualified individuals, in particular those who can add value to the management through their expertise in relevant strategic business areas, to be the board members, and would make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, if necessary.

Details of the procedures for Shareholders to propose a person for election as a Director are outlined in the "Procedures for Shareholders to Propose a Person for Election as a Director" which is available on the website of the Company.

The primary terms of the Nomination Committee include:

- review and supervise the structure, size and composition of the Board;
- develop the criteria for identifying and assessing the qualification of and evaluating candidates for directorship; and
- make recommendations to the Board on the selection of nominated directorship and matters related to appointment or re-appointment of Directors.

Pursuant to the Articles of Association, any Director appointed to fill a casual vacancy should be subject to re-election by the Shareholders at the next general meeting of the Company after their appointments, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. In addition, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation (but will be eligible for re-election) such that all Directors should be subject to retirement by rotation at least once every three years.

The Nomination Committee follows a set of procedures when recommending candidates for the directorship. The primary criteria of selecting a candidate include assessing his/her:

- integrity, objectivity and intelligence of the candidate, with reputations for sound judgement and open mind, and a demonstrated capacity for thoughtful group decision making;
- qualification and career experience; and
- understanding of the Company and the Group's mission.

When a candidate is proposed for a directorship, he/she shall be evaluated on the basis of the aforementioned criteria. Selection of the suitable candidate is based on a majority vote and the view of each committee member will be sought before voting commences. The chairman of the Nomination Committee will present the proposal (with the voting results) and make recommendations to the Board.

For the financial year ended 30 June 2020, the Nomination Committee held one meeting to review the structure and diversity of the Board, the policies applicable to the board composition and nomination, the term of appointment of non-executive Directors, and to assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment and re-appointment of Directors taking into account their experience and qualifications.

Corporate Governance Report

Board Diversity

The Nomination Committee adopted the board diversity policy of the Company which sets out the approach to achieve diversity on the Company's Board of Directors. The Company recognises the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limiting to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the candidates' merits and contributions to the Board. The Nomination Committee reviews the board diversity policy, as appropriate, to ensure its effectiveness from time to time. The Company considers that the current Board composition is characterised by diversity, whether considered in terms of professional background, skills and knowledge. In recognising the importance of gender diversity, the Company will take steps to identify suitable candidates and promote gender diversity on Board and management levels as well as other levels of the Group.

BOARD AND COMMITTEE MEETINGS

During the financial year ended 30 June 2020, the Company held 11 Board meetings, 4 Audit Committee meetings, 2 Remuneration Committee meeting, 1 Nomination Committee meeting and one general meeting. The individual attendance record of each Director at the Board meetings, Board Committees meetings and general meetings during the financial year ended 30 June 2020 is set out below and is presented by reference to the number of meetings held during their tenure:

		Number of meetings attended/held				
Director	*Notes*	Board	Audit Committee	Remuneration Committee	Nomination Committee	General
Executive Director						
Liu Yancheng		11/11	N/A	N/A	1/1	1/1
Yao Runxiong		11/11	N/A	N/A	N/A	1/1
Non-executive Director						
Tam Tak Wah		11/11	4/4	2/2	N/A	1/1
Independent Non-executive Director						
Leung Po Hon		11/11	4/4	2/2	1/1	1/1
Li Jin		11/11	4/4	2/2	1/1	1/1
Luo Xiaodong		11/11	4/4	2/2	1/1	1/1

Minutes of the Board and Board Committees meetings have been recorded in sufficient details including any matters considered in the meetings, decisions reached and concerns or queries raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and Board Committees are sent to all Directors or Committee members for comments and records respectively within a reasonable time after the meeting.

COMPANY SECRETARY

Mr. Ng Kwok Leung is the Company Secretary of the Company. He is responsible to the Board for ensuring that board procedures are followed and the Board is fully briefed on all legislative, regulatory and corporate governance developments and that it has regard to them when making decisions.

During the financial year ended 30 June 2020, he has confirmed that he has duly complied with the relevant requirement under the Listing Rules and taken not less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the internal control system of the Group, and an effective internal control system enhances the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations and contributes to the effectiveness and efficiency of its operations. As such, the Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

The Company has engaged an independent advisor to conduct various agreed reviews over the Company's internal control system in order to assist the Board in reviewing the effectiveness of the internal control system of the Group. The reviews, which span over a period of 2 years, are aimed to cover all material controls, including financial, operational and compliance controls and risk management functions of the Group. The first report from the independent advisor has been presented to and reviewed by the Audit Committee and the Board. Appropriate recommendations for further enhancing the internal control system have been adopted.

AUDITORS' REMUNERATION

An analysis of the remuneration payable to the independent auditor of the Company, HLB Hodgson Impey Cheng Limited, to perform audit and non-audit services for the financial year ended 30 June 2020 is as follows:

For the financial year ended 30 June	**2020** **HK$'000**	2019 HK$'000 (Restated)
Services rendered:		
Audit service	**1,200**	1,400
Non-audit service	**–**	–

SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to articles 57 and 58 of the Articles of Association, each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. The Board may whenever it thinks fit call extraordinary general meetings.

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to enquire an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two 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/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to article 85 of the Articles of Association, no person, other than a Director retiring at the meeting, shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such Notice(s) shall commence on the day after the despatch of the notice of general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES AND PROPOSALS TO THE BOARD

To foster regular and contribute two-way communications amongst the Company, its Shareholders and potential investors, the Company Secretary is designated to respond to enquiries and proposals from Shareholders as well as the public.

Enquiries and concerns of the Shareholders and other stakeholders can be made in writing to the Company Secretary via the following contact details:

By mail: Room 1011, 10/F., Wing On Centre,
111 Connaught Road Central,
Hong Kong
By fax: (852) 3523 1122
By email: contact@kingbostrike.com

Shareholders may also make enquiries to the Board at the general meetings of the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Board and senior management recognise the responsibility of safeguarding the interest of the Shareholders and providing transparent and real-time disclosure of information of the Company so as to keep the Shareholders and investors abreast of the Company's position and help them to make informed investment decision.

Information of the Company and the Group are delivered to the Shareholders through various channels, which include annual report, interim report, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the websites of the Company and the Stock Exchange.

The Company holds an annual general meeting every year as an appropriate media for direct communication between the Board and the Shareholders. Shareholders can raise questions directly to the Board in respect of the business performance and future development of the Group at such annual general meetings.

For the financial year ended 30 June 2020, there had been no significant change in the Company's constitutional documents.

DIRECTORS' AND INDEPENDENT AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and has ensured that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards.

The statement of the independent auditor of the Company, HLB Hodgson Impey Cheng Limited, about reporting responsibilities on the consolidated financial statements of the Group is set out under the heading "Independent Auditors' Report" in this annual report.

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

Environmental, Social and Governance Report

INTRODUCTION AND SCOPE

This environmental, social and governance report (the "**ESG Report**") has been prepared by the management of the Company in accordance with the requirement of the Appendix 27 Environmental, Social and Governance Reporting Guide ("**ESG Guide**") of the Listing Rules. The Group's corporate governance is addressed separately in the Group's annual report prepared in accordance with all applicable provisions as set out in Appendix 14 of the Listing Rules.

This report presents mainly the policies, initiatives and performance of the Group for the financial year ended 30 June 2020. It also highlights material aspects identified from 1 July 2019 to 30 June 2020 (the "**Reporting Period**"). The Board confirms that the report has been reviewed and approved to ensure the fair presentation of all material issues and impacts.

This ESG report has been presented into two subject areas namely, Environmental and Social. Each subject area has various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Guide.

The Group understands the importance of the ESG report and is committed to making continuous improvements in corporate social responsibility into the Group's business in order to meet the changing needs of an advancing society.

In this ESG report of the Group it will present mainly policies, initiatives and performance of the Group for the financial year ended 30 June 2020 and also highlight material aspects identified. The following table will demonstrate the relationship between ESG guide and the issues found relevant to the Group:

ESG Guide	Relevant ESG issues to the Group
A. Environmental	
A.1 Emissions	Pollutants emissions
	Greenhouse gas emissions
	Waste management
A.2 Use of resources	Resources consumption
A.3 Environmental and natural resources	Measures in reducing environmental impact
B. Social	
B.1 Employment	Labour practices
	Equal opportunities
B.2 Health and Safety	Workplace health and safety
B.3 Development and training	Employee development and training
B.4 Labour standards	Child labour and forced labour
B.5 Supply chain management	Relationship management in the view of long term co-operation
B.6 Product responsibility	Product quality control
	Safety keeping practice
B.7 Anti-corruption	Anti-corruption and money laundering
B.8 Community investment	Community involvement

A. ENVIRONMENTAL

The Group always keeps itself up-to-date on developments in local legislations and standards for environmental protection. During the Reporting Period, the Group did not experience any cases of non-compliance relating to environmental laws and regulations in the PRC, Singapore and Hong Kong.

The Group actively encourages staff to protect the environment through training, education and communication.

The Group has policies for the reduction of energy consumption and efficient use of resources so as to reduce the emission of greenhouse gas ("**GHG**") and other pollutants in relation to its operations carried out in all its business units' office and points of sale controlled and run by the Group. This including switching off idle lightings, computers and electrical appliances, deployment of energy-saving lightings, using of recycled paper, monitoring water consumption, encouraging the use of public transport for local travelling to meetings and airports and using tele or video conferencing as an alternative to business travels.

The Group has established environmental policies and has communicated measurable environmental objectives to employees. The salient features of these environmental policies and objectives are as follows:

Environmental Policies	Environmental Objectives
To monitor and record our environmental impacts on a regular basis and compare our performance with our policies, objectives and targets	Conform to applicable laws and government regulations
To reduce, reuse, recycle the resources consumed by our business wherever practical	Promote environmental, health and safety awareness among the employees, contractors, users and transporters
Informing the employees, users and society at large about environmental protection and product safety	Increasing and maintaining the environmental awareness of all employees with a view to integrating environmental considerations into operational and financial planning

A.1 Emissions

The Group takes environmental management into account for the provision of electrical engineering services both in Singapore and Hong Kong. We keep our employees abreast of the latest environmental laws and regulations so as to better manage our environmental performance. During the Financial Year, the Group were not aware of any material non-compliance of environmental laws and regulations that have a significant impact on the Group relating to air and greenhouse gas (GHG) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Pollutants Emissions

The pollutants emissions of the Group are mainly attributed to the use of motor vehicles for the provision of logistic services in Singapore. The Group minimises the use of motor vehicles by adopting better route plans and avoid using motor vehicles during peak hours. The consumption of fuels leads to the emission of 0.11 (2019: 0.15) kg of sulphur oxides (SOx), 8.47 (2019: 10.20) kg of nitrogen oxides (NOx) and 3.67 (2019: 4.35) kg of particulate matters (PM).

Greenhouse Gas Emissions

The Group consume electricity and fuels for the operations of its trading business. The emission of carbon dioxide (CO_2) has been calculated by the quantity of energy consumed multiple by the emission factors and the emission of CO_2 are used tonnes as a unit. The emissions of CO_2 are broadly classified into three scopes:

Scope 1 – Direct emissions from combustion of fuels,

Scope 2 – Energy indirect emissions; and

Scope 3 – Other indirect emissions.

The combustion of 617 (2019: 756) litres of unleaded petrol and 6,466 (2019: 8,537) litres of diesel oil have produced 19.1 (2019: 25.1) tonnes of CO_2 (Scope 1). Further, the Group consumed 37,603 (2019: 53,731) kWh of electricity which contributed to the emissions of 18.3 (2019: 26.3) tonnes of CO_2 (Scope 2). 12.4 (2019:16.3) tonnes of CO_2 have been produced from other indirect emissions (Scope 3), including paper usage, electricity used for processing freshwater and sewage by government departments produced and business air travel of the Group's employees. 49.8 (2019: 67.7) tonnes of CO_2 has been produced by the Group for the year ended 30 June 2020.

Waste management

The Group would also produce certain land waste from the offices located both in Hong Kong and Singapore when conducting the business. The major land waste is the paper used to prepare logistic documents and office documents. The Group has also encourage staff reuse of single-sided printed paper and duplex printing to reduce the consumption of paper.

A.2 Use of Resources

Resource consumption

The waste management from the Group's business activities mainly consisted of office paper and water during the Reporting Period. No substantial hazardous waste was produced by the Group during the Reporting Period.

Resources consumed	Unit	Consumptions 2020	Consumptions 2019	Consumption intensity (per staff) 2020	Consumption intensity (per staff) 2019
Water	m^3	**101**	123	**7.21**	4.55
Electricity	kWh	**37,603**	53,731	**2,686**	1,990
Paper used	kg	**204**	267	**14.6**	9.9

Environmental policy and performance, and environmental conservation are always one of the Group's concerns. Although the Group does not establish a formal environmental policy, various measures have been implemented to encourage compliance with environmental legislation and promote awareness towards environmental protection to the employees. For instance, the Group implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances.

A.3 Environmental and natural resources

Measures in reducing environmental impact

Due to the nature of the business, the Group does not have any direct and significant impacts on the environment and natural resources during its operation. By taking the green initiatives mentioned below, the Group is committed to reduce the environmental impact and acting in a manner that is both environmentally and socially responsible.

Throughout the Group, the following actions have been taken to reduce carbon and energy footprints:

– maintain the indoor temperature of offices at 26 degrees Celsius;

– choosing environmentally friendly materials and energy-saving lightings and electrical appliances;

– idle electrical appliances are switched off; and

– regular maintenance and repair for electrical appliances to lower energy waste.

B. SOCIAL

B.1 Employment

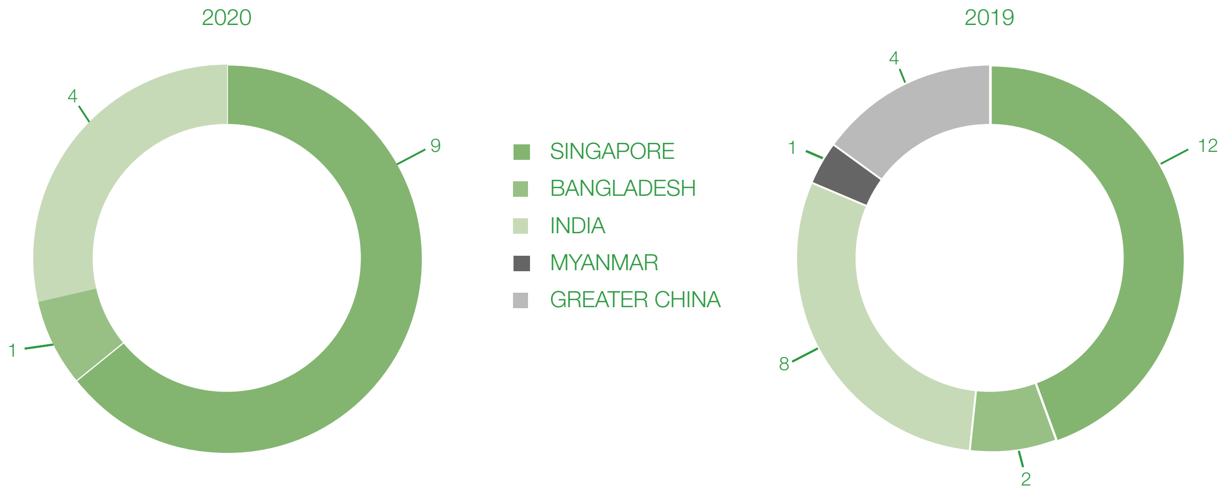
Labour Practices

Human resources are a valuable asset to the Group. It provides some staff activities to enhance employees' sense of belonging and to help create a friendly working environment. The Group did not notice any non-compliance with relevant laws and regulations in Singapore and Hong Kong, applicable to employment contracts, wages, and benefits.

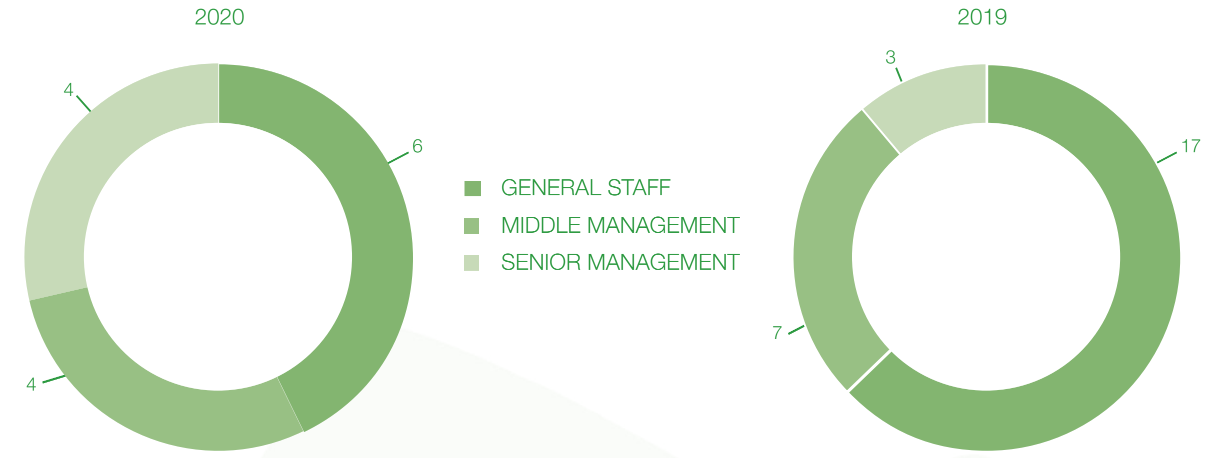
Environmental, Social and Governance Report

At the year ended 30 June 2020, the Group has 14 (2019: 27) employees. The charts below show the diversity of the staff:

WORKFORCE DISTRIBUTION BY NATIONALITY



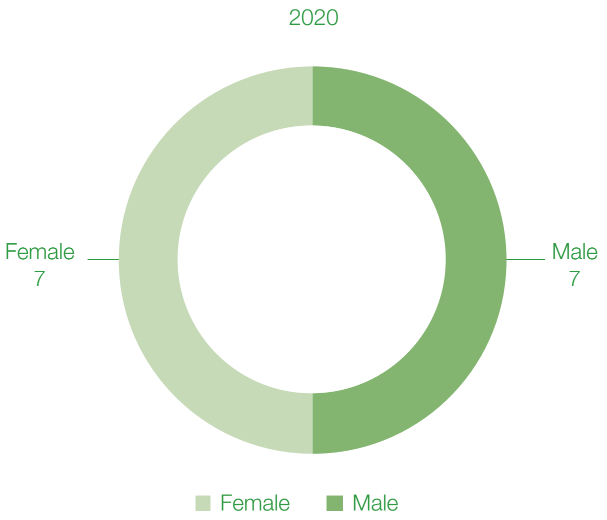
WORKFORCE DISTRIBUTION BY POSITION

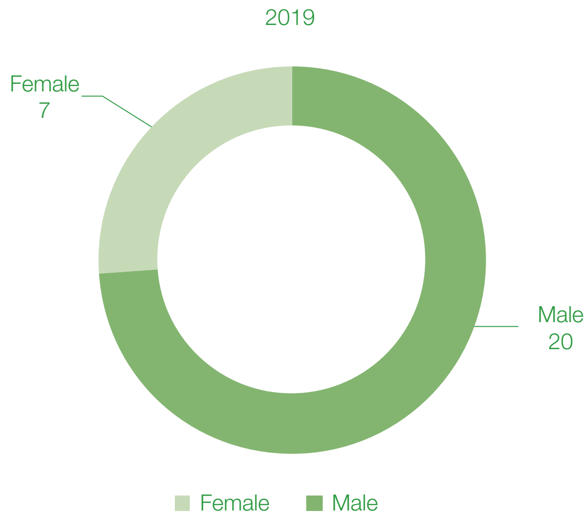


During the hiring process, management concerns about the ability and capability of job applicants. As a result, it forms a multi-cultural working environment.

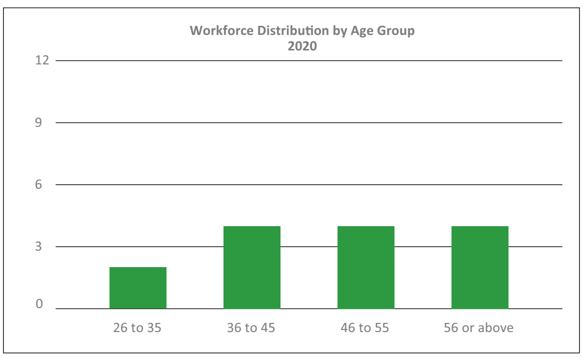
Environmental, Social and Governance Report

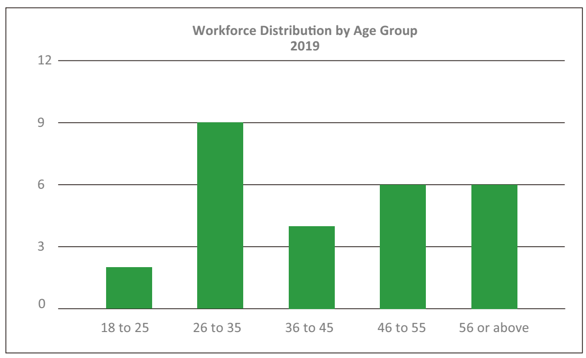
GENDER DISTRIBUTION





The male/female composition ratio of the Group is approximately 1:1 (2019: 2.8:1). The Group treated all application irrespective of gender.





The age level of workers is well-diversified, and about 14% (2019: 40%) of the total workforce is aged at 35 or below.

Equal Opportunities

Being an equal opportunities employer, the Group is committed to creating a working environment with fairness, openness and mutual trust. The Group opposes to any consideration which involves discrimination not related to work and prohibits all forms of workplace discrimination, employee of the same position is remunerated on an equal basis no matter of what gender they are, thus the rights of female employees are well-protected.

B.2 Health and Safety

Workplace health and safety

Our Group attaches great importance to employees' health and safety. In order to minimise workplace accidents and set the health and safety of staff as a top priority, the Group has established a set of staff handbook which includes sufficient policies on the safety for all employees to follow.

The Group complies with laws and regulations regarding health and safety such as Occupational Safety and Health Ordinance in Hong Kong, Employment Act in Singapore and other applicable regulations to provide a safe, healthy and comfortable working environment. All workers in worksite are under the coverage of workmen medical insurance while staff in the office are under the coverage of employees' compensation insurance. During the years ended 30 June 2020 and 2019, the Group did not record any injury cases and loss of man days. Human resource department investigates and analyses every case and implements correspondence preventive measures if necessary.

In order to reduce accidents at the workplace, the group provides compulsory safety training for all the worksite staff during orientation course and relevant training and knowledges in respect of risks associated with goods handling in site and warehouse. Safety equipment is provided to all workers in the worksite. Furthermore, the Group also places occupational hazard warning signs and warning instructions at prominent places around the worksite, carries out safety inspection regularly and provide safety seminar to employees.

B.3 Development and Training

Employee development and training

The Group aims to create an environment of continuous improvement in which our employees are encouraged to pursue excellence at work and career development.

To stay abreast of best practices in the relevant business sectors, the Group encourages staff to attend both in-house and external training organised by certified organisation or government. The Group arranges suitable staff in Singapore to attend Core Trade Tradesman (Higher Skilled) Course for the benefit of the lower levy. Furthermore, the Group also arrange staff to take the work-at-height course and safety supervisor course before working in specific working environment.

14% (2019: 53%) of middle management and general staff attended training programs. In average, each staff attend over 10 hours of training during the year ended 30 June 2020. All training records and attendance records are kept for reviewing and monitoring purposes.

B.4 Labour Standards

Child Labour and Forced Labour

With compliance on the international criterions, the Labour Law of Hong Kong and the Employment Act and the Employment (Children and Young Persons) Regulations of Singapore, the Group strives to fight against illegal employment including both forced labour and juvenile labours aged under 16 (child labour). It formulates employment procedures to ensure that the employment process can screen out any illegal employees. All works should be voluntary and not performed under threats of penalty or coercion.

Any individuals under legal working age or without any identification documents are removed from employment. During the reporting period, the Group did not employ any child labour. Upon discovery of any child labour and use of forced labour, the person will be dismissed immediately.

The standard working hour of each staff is 40-hour standard per week, with the provision of annual vacation leave, compensation leave, maternity leave, personal leave and sick leave. Remuneration of the employees which included salary, discretionary bonus and share-based incentives was based on the Group's results and individual performance. During the recruitment or appraisal of employees, the Group places great consideration in providing equal opportunities at the workplace where only the working performance and ability are considered under the assessment.

During the years 2020 and 2019, the Group did not hire any teenagers who are under the legal working age.

B.5 Supply Chain Management

Relationship Management in the View of Long-Term Co-operation

The Group considers our suppliers as strategic partners and contributors to our businesses and we strive to build long-term relationships with suppliers who share our values. The Group encourages suppliers, business partners and their associates to follow the same standards of integrity and transparency in doing business with us as we seek to apply in doing business with them.

The Group has established and maintained a good relationship with a network of suppliers and subcontractors, some of whom have known or worked with the Group for over 10 years. The good relationship with its suppliers is partly based on its practice of prompt payment which has benefited the Group in negotiating a competitive price, which in turn, provides the Group with the flexibility to price its services to customers. For the suppliers and the quotation management in Singapore, the Group has the following types of vendors:

1) *Vendors appointed by customers*
   No quotation is required under this category.

2) *Preferred vendors*
   These are the vendors proposed by customers so as to meet the requirements of the projects undertaken by the Group. Although quotation is required from these preferred vendors, price is not the utmost priority as over-reliance on a particular supplier would generate new risk for the Group. The reputation of the vendors is a significant factor for the Group's decision making of proposal evaluation. There is a check and balance in place for mitigating the risk by spreading out the orders among preferred vendors, taking into consideration of the relationship with the Group and their outstanding orders.

B.6 Product Responsibility

Product Quality Control

The Group's employees are obligated to retain in confidence all information obtained in connection with their employment, including, but not limited to, trade secrets, client information and other proprietary information.

Safety Keeping Practice

The Group has a confidentiality policy relating to observing and protecting intellectual property rights which comply with the Business Practices and Consumer Protection Act. The policy is applicable to all locations for consumer data protection and privacy policy. For the protection of customer privacy, customer information is kept in strict confidence and destroyed if appropriate.

During the reporting period, the Group had neither experienced any recovery product due to safety and health issue, nor received any complaint regarding our products and services.

B.7 Anti-Corruption

Anti-corruption and Money Laundering

The Group is aware that any events of corruption will bring irreparable damage to the Group, therefore the Group upholds a high standard of business integrity throughout its operations. A system with good moral integrity and anti-corruption mechanism are seen to be the cornerstone of the sustainable and healthy development of the Group.

With compliance with relevant laws and regulations of anti-corruption law of Hong Kong, Criminal Law of the People's Republic of China《中華人民共和國刑法》and the Anti-Unfair Competition Law of the People's Republic of China《中華人民共和國不正當競爭法》and Prevention of Corruption Act under Chapter 241 by the Singapore Statues, the Group has established a comprehensive mechanism in reporting and investigation procedures of related issues. The Group would terminate the employment contract with immediate effect on employees who accept any benefits from customers and suppliers. Employees are asked to notify their respective division head for any suspicious transactions. If any employee is found to be in violation of corruption after investigation, the Group will penalise the employee involved, including the termination of labour contracts with immediate effect. During the years ended 30 June 2020 and 2019, no cases associated with corruption have been reported and discovered.

B.8 Community Investment

Community Involvement

The Group regards promoting well-being and prosperity for the region as its responsibility. To this end, it has proactively engaged in diversified community activities and developed community investment strategies to cope with the development needs of the local community. While actively contributing to society.

The Group encourages employees to seek opportunities, participate more in charity work in the future and get involved in various community programs, such as community health initiatives, sports, cultural activities, volunteer work and education donation. In the future, the Group plans to seek opportunities to co-operate with charitable organisations by participating in various community programs.

Independent Auditors' Report

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

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

TO THE SHAREHOLDERS OF
KINGBO STRIKE LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kingbo Strike Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 60 to 149, which comprise the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report

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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on goodwill	
Refer to Notes 2.4, 3 and 12 to the consolidated financial statements	
The Group has goodwill with carrying amounts of approximately HK$9,659,000 as at 30 June 2020. For impairment testing purposes, these goodwill was allocated to the cash-generating-unit of Kahuer Holdings Co., Limited and its subsidiaries (the "**CGU**"). Management performed impairment assessment of the CGU as at 30 June 2020 and concluded that impairment loss of approximately HK$48,356,000 on the goodwill was necessary to be recognised in consolidated profit or loss for the year. This impairment assessment conclusion was arrived at based on estimation of the recoverable amount of the CGU as at 30 June 2020 using the value-in-use model, which required exercise of management judgment with respect to the determination of appropriate discount rate and estimation of forecasted cash flows for the financial projection period, in particular future revenue growth. Independent external valuation report was obtained in order to support management's estimates. We focused on these areas as the assessment made by management involved significant estimates and judgements in relation to the performance of CGU and discount rates applied, which may be affected by unexpected changes in future market or economic conditions or significant events or circumstances related to the CGU. Independent external valuation was obtained in order to support the management's estimation.	Our procedures in relation to the management's impairment assessment of goodwill included: • Evaluating the independent external valuer's competence, capabilities and objectivity; • Assessing the appropriateness of the valuation methodology, estimates and key assumptions and inputs used in the value-in-use model based on our knowledge of the business of the CGU and of the relevant industry and using valuation expert engaged by us; • Challenging management about the reasonableness of key assumptions and inputs used, based on our knowledge of the business and industry; and • Checking, on sampling basis, the accuracy and relevance of the input data used. We found that the assumptions made by the management in relation to the value in use calculations and fair value assessment of goodwill to be supported by available evidence.

Independent Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses recognised in respect for financial assets at amortised costs	
Refer to Notes 2.4, 3, 18, 19 and 20 to the consolidated financial statements	
As at 30 June 2020, the Group has trade and other receivables with net carrying amount of approximately HK$231,134,000, contract assets with net carrying amount of approximately HK$10,956,000 and loan receivables with net carrying amount of approximately HK$29,473,000. For the year ended 30 June 2020, allowance for expected credit loss recognised of financial assets at amortised cost of approximately HK$8,060,000 were made based on management's estimates of the expected credit loss ("**ECL**") in accordance with International Financial Reporting Standard 9 *Financial Instruments*. ECLs are determined by management based on their assessment on the credit risks for the financial assets at amortised cost since their initial recognition. Significant judgement is required to be exercised when applying the impairment assessment model, including the determination of appropriate key parameters including the risk of default and loss given default, identifying any significant deterioration in credit quality and determining the assumptions used in the ECL model including economic indicators for forward looking information and the application of economic scenarios and probability weightings. We focused on this area due to the size of the balances and the judgement exercised by management in determining the ECL allowances for the financial assets at amortised cost as at 30 June 2020.	Our procedures in relation to management's estimated allowance for expected credit losses of financial assets at amortised costs included: • Evaluating the modeling methodologies used by management for measuring expected credit loss; assessing key parameters and assumptions made by management with reference to the relevant historical credit loss data of the Group and observable external economic data and using valuation experts engaged by us; • For historical information, we discussed with management to understand their process of collecting and applying the information in assessing risk of default and loss given default and identifying significant deterioration in credit risk. We corroborated management's explanation with supporting evidence. • For forward looking information, we reviewed the appropriateness of economic indicators selected by management; evaluated the economic scenarios and the underlying probability weightings applied by management; and tested the resulting calculation of the economic indicators determined thereby. We found the management's judgements and estimates used to assess the recoverability of financial assets at amortised cost and allowance of the ECL were supported by the available evidence.

Independent Auditors' Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("**Other Information**").

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditors' Report

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

As part of an audit in accordance with HKSAs, we exercise professional 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.

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

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

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

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

Independent Auditors' Report

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 23 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
REVENUE	5	302,532	470,690
Cost of sales	8(b)	(277,448)	(421,680)
Gross profit		25,084	49,010
Other gains and losses, net	6	(1,002)	(1,666)
Administrative expenses		(25,409)	(26,110)
Change in fair value of financial assets at fair value through profit or loss, net	8(d)	(10,976)	(35,225)
Allowance for expected credit loss recognised in respect of financial assets at amortised cost, net		(8,060)	(3,551)
Impairment loss recognised in respect of goodwill	12	(48,356)	(22,159)
Finance costs	7	(51)	–
Other operating expenses		(1,226)	(2,773)
Share of results of joint ventures		924	12,188
Share of results of an associate		(700)	(1,147)
LOSS BEFORE TAXATION	8	(69,772)	(31,433)
Taxation	10	(4,028)	(9,524)
LOSS FOR THE YEAR		(73,800)	(40,957)
ATTRIBUTABLE TO:			
Owners of the Company		(74,903)	(52,575)
Non-controlling interests	34	1,103	11,618
		(73,800)	(40,957)
LOSS FOR THE YEAR		(73,800)	(40,957)
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR			
Items that will not reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		(1,300)	320
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(7,824)	(9,002)
Other comprehensive expenses for the year, net of income tax		(9,124)	(8,682)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		(82,924)	(49,639)
ATTRIBUTABLE TO:			
Owners of the Company		(81,354)	(58,550)
Non-controlling interests		(1,570)	8,911
		(82,924)	(49,639)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDINGS OF THE COMPANY			
Basic and diluted (HK cents)	11	(5.39)	(3.78)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)	2018 HK$'000 (Restated)
NON-CURRENT ASSETS				
Goodwill	12	9,659	59,344	84,435
Interests in joint ventures	13	–	22,589	13,228
Interest in an associate	14	–	1,586	2,726
Plant and equipment	15	668	1,530	2,440
Right-of-use asset	16	2,579	–	–
Deferred tax asset	26	95	–	–
Total non-current assets		13,001	85,049	102,829
CURRENT ASSETS				
Inventories	17	53	83	57
Trade receivables, deposits and other receivables	18	231,134	218,971	225,879
Contract assets	19	10,956	10,791	67,587
Loan receivables	20	29,473	18,866	–
Prepayments	21	31,793	25,168	19,120
Financial assets at fair value through profit or loss	22	13,089	24,065	48,607
Cash and cash equivalents	23	86,730	98,042	84,575
Total current assets		403,228	395,986	445,825
CURRENT LIABILITIES				
Income tax payable		17,517	14,082	30,758
Trade and other payables	24	48,631	36,419	74,632
Lease liability	25	1,445	–	–
Total current liabilities		67,593	50,501	105,390
NET CURRENT ASSETS		335,635	345,485	340,435
TOTAL ASSETS LESS CURRENT LIABILITIES		348,636	430,534	443,264

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)	2018 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Lease liability	*25*	**1,026**	–	–
Deferred tax liability	*26*	**–**	–	174
Total non-current liabilities		**1,026**	–	174
NET ASSETS		**347,610**	430,534	443,090
EQUITY				
Share capital	*27*	**13,903**	13,903	11,856
Reserves	*28*	**274,550**	355,904	379,418
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**288,453**	369,807	391,274
Non-controlling interests		**59,157**	60,727	51,816
Total equity		**347,610**	430,534	443,090

The consolidated financial statements were approved and authorised for issue by the boards of directors on 23 September 2020 and signed on its behalf by:

Liu Yancheng
Director

Yao Runxiong
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Equity attributable to owners of the Company								
	Share capital (Note 28) HK$'000	Share premium (Note 28) HK$'000	Statutory surplus reserve (Note (i)) HK$'000	Exchange fluctuation reserve (Note (ii)) HK$'000	Accumulated losses HK$'000	Merger reserves (Note (iii)) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 July 2018 (Restated)	11,856	544,847	9,061	(5,544)	(155,200)	(13,746)	391,274	51,816	443,090
(Loss) profit for the year	–	–	–	–	(52,575)	–	(52,575)	11,618	(40,957)
Other comprehensive (expense) income for the year:									
Exchange differences arising on translation from functional currency to presentation currency	–	–	–	320	–	–	320	–	320
Exchange differences on translation of foreign operations	–	–	–	(6,295)	–	–	(6,295)	(2,707)	(9,002)
Total comprehensive (expense) income for the year	–	–	–	(5,975)	(52,575)	–	(58,550)	8,911	(49,639)
Transfer from retained profits to statutory surplus reserve	–	–	2,768	–	(2,768)	–	–	–	–
Issue of shares	2,047	35,036	–	–	–	–	37,083	–	37,083
As at 30 June 2019 (Restated) and 1 July 2019	**13,903**	**579,883***	**11,829***	**(11,519)***	**(210,543)***	**(13,746)***	**369,807**	**60,727**	**430,534**
(Loss) profit for the year	**-**	**-**	**-**	**-**	**(74,903)**	**-**	**(74,903)**	**1,103**	**(73,800)**
Other comprehensive expense for the year:									
Exchange differences arising on translation from functional currency to presentation currency	**-**	**-**	**-**	**(1,300)**	**-**	**-**	**(1,300)**	**-**	**(1,300)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(5,151)**	**-**	**-**	**(5,151)**	**(2,673)**	**(7,824)**
Total comprehensive expense for the year	**-**	**-**	**-**	**(6,451)**	**(74,903)**	**-**	**(81,354)**	**(1,570)**	**(82,924)**
Effect on change in functional currency	**-**	**(16,555)**	**-**	**(14)**	**16,569**	**-**	**-**	**-**	**-**
Transfer from retained profits to statutory surplus reserve	**-**	**-**	**1,077**	**-**	**(1,077)**	**-**	**-**	**-**	**-**
As at 30 June 2020	**13,903**	**563,328***	**12,906***	**(17,984)***	**(269,954)***	**(13,746)***	**288,453**	**59,157**	**347,610**

* These reserve accounts comprise the consolidated reserves of approximately HK$274,550,000 (2019: approximately HK$355,904,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

Notes:

(i) According to the relevant rules and regulations in the People's Republic of China ("**PRC**"), subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(ii) The amount represented the share of changes in other comprehensive income in the subsidiaries which is the exchange differences relating to the translation of the net assets of the subsidiaries' foreign operations from their functional currencies to the Group's presentation currency.

(iii) Merger reserves of the Group represent the capital contributions from the equity holders of the subsidiary, Strike Electrical Engineering Pte Ltd. ("**Strike Singapore**"). The Group acquired Strike Singapore during the year ended 30 June 2013 from Victrad Enterprise (Pte) Limited ("**Victrad**") which was an acquisition under common control and had been accounted for by applying the principle of merger accounting and the merger reserves had been debited for the purchase consideration for Strike Singapore.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 HK$'000	2019 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(69,772)**	(31,433)
Adjustments for:			
Bank interest income	*6*	**(491)**	(732)
Share of results of joint ventures		**(924)**	(12,188)
Share of result of an associate		**700**	1,147
Depreciation of plant and equipment	*8, 15*	**816**	1,539
Depreciation of right-of-use assets	*8, 16*	**368**	–
Gain on disposal of plant and equipment	*6*	**(104)**	(162)
Gain on disposal of an associate	*6*	**(307)**	–
Net loss on disposal of joint ventures	*6*	**855**	–
Allowance for ECL recognised in respect of trade and other receivables, net	*18, 36*	**9,492**	3,009
Allowance for (reversal of allowance for) ECL recognised in respect of contract assets, net	*19, 36*	**175**	(1,092)
(Reversal of) allowance for ECL recognised in respect of loan receivables, net	*20, 36*	**(1,607)**	1,634
Impairment loss recognised in respect of plant and equipment	*8, 15*	**30**	1,158
Impairment loss recognised in respect of goodwill	*12*	**48,356**	22,159
Change in fair value of financial assets at fair value through profit or loss	*8, 22*	**10,976**	35,225
Foreign exchange differences	*6*	**4,192**	3,659
Operating cash flows before movements in working capital		**2,755**	23,923
Decrease (increase) in inventories		**27**	(25)
Increase in prepayments		**(7,710)**	(6,938)
Increase in trade receivables, deposits and other receivables		**(30,101)**	(5,602)
Increase in loan receivables		**(9,000)**	(20,500)
(Increase) decrease in contract assets		**(742)**	57,904
Increase (decrease) in trade and other payables		**13,582**	(37,194)
Increase in financial assets at fair value through profit or loss		**–**	(10,683)
Cash (used in) generated from operations		**(31,189)**	885
Interest received		**491**	732
Tax paid		**(84)**	(25,463)
Net cash flow used in operating activities		**(30,782)**	(23,846)

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 HK$'000	2019 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from joint ventures	*13*	**1,202**	2,880
Dividends received from an associate	*14*	**145**	–
Purchase of plant and equipment	*15*	**(59)**	(2,012)
Proceeds from disposal of plant and equipment		**164**	390
Proceeds from disposal of interests in joint ventures	*13*	**20,827**	–
Proceeds from disposal of interest in an associate	*14*	**1,036**	–
Net cash flow generated from investing activities		**23,315**	1,258
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from issue of shares		**–**	37,083
Repayment of lease liability		**(476)**	–
Net cash flow (used in) generated from financing activities		**(476)**	37,083
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(7,943)**	14,495
Effect of foreign exchange rate changes, net		**(3,369)**	(1,028)
Cash and cash equivalents at beginning of the year		**98,042**	84,575
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**(86,730)**	98,042
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		**(86,730)**	98,042

The accompanying notes form an integral part of these consolidated financial statements.

Note:

Major non-cash transactions:

(a) Upon application of IFRS16, the Group entered into lease agreements for the use of leased property for fixed terms of 2 years. The Group recognised approximately HK$2,947,000 of right-of-use asset and approximately HK$2,947,000 of lease liability during the year ended 30 June 2020.

(b) The dividends received from one of the joint ventures including approximately HK$2,794,00 was be allotted as equivalent received paid-up capital during the year ended 30 June 2020.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

1. CORPORATE AND GROUP INFORMATION

Kingbo Strike Limited (the "**Company**") was incorporated in the Cayman Islands on 19 June 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The Company's registered office address is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is registered with the Companies Registry in Hong Kong as a non-Hong Kong company under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) on 5 September 2013 and the principal place of business in Hong Kong registered is at Room 1011, 10th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of electrical engineering services in Singapore; design, supply and installation of solar photovoltaic parts and equipment and electrical distribution system business in the People's Republic of China (the "**PRC**").

Changes in functional and presentation currencies

Prior to 30 June 2020, Singapore dollars ("**S$**") was regarded as the functional and presentation currencies of the Company. During the current year, the functional currency of the Company was changed from S$ to Hong Kong Dollars ("**HK$**"), HK$ is the currency of the primary economic environment the Company operates. The presentation currency also changed to HK$ for the convenience of shareholders as the Company is a listed company in Hong Kong.

The change in functional and presentation currencies in presenting the operating results and financial positions of the Group effective from 30 June 2020 and is accounted for the change in functional and presentation currencies in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Comparative figures have been re-stated to reflect the change in the Group's presentation currency. The Group has also presented the consolidated statement of financial position as at 1 July 2018 without related notes.

For the purpose of re-presentation of the consolidated financial statements of the Group from S$ to HK$, the assets and liabilities as at 1 July 2018 and 30 June 2018 are translated into HK$ at the closing rate as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective years. Share capital, share premium and reserves are translated at the exchange rate at the date when the amount were determined (i.e. historical exchange rates).

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about major subsidiaries

Particulars of the Company's major subsidiaries as at 30 June 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation and business	Issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company				Principal activities
			2020		2019		
			Direct	Indirect	Direct	Indirect	
Strike Electrical Engineering Pte Ltd ("**Strike Singapore**")	Singapore	S$1,510,000	100	–	100	–	Electrical works and general building engineering services
Capital Asia Investment Limited	Hong Kong	HK$1	–	100	–	100	Investment holding
Marvel Skill Holdings Limited	British Virgin Islands ("**BVI**")	US$50,000	–	100	–	100	Investment holding
Kahuer Holding Co., Limited	BVI	US$50,000	–	60	–	60	Investment holding
Loydston International Limited	Hong Kong	HK500,000	–	60	–	60	Investment holding

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about major subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation and business	Issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect	Principal activities
開合新能源（盱眙）有限公司[1,2] (Kaihe New Energy (Xuyi) Company Ltd ("**Kaihe New Energy**")	PRC	HK$6,824,178	–	60	–	60	Supply and installation of solar photovoltaic parts and equipment
萊斯頓新能源（鎮江）有限公司[1,2] (Loydston New Energy (Zhenjiang) Company Limited ("**Loydston New Energy**")	PRC	US$10,000,000	–	60	–	60	Provision of electrical distribution system/ Supply
華輝新能源（淮安）有限公司[1,2] (Huahui New Energy (Huaian) Company Limited ("**Huahui New Energy**")	PRC	US$5,000,000	–	60	–	60	Supply and installation of solar photovoltaic parts and equipment
Kingbo Finance Limited	Hong Kong	HK$1	–	100	–	100	Provision of finance

Notes:

1 Registered as a wholly-foreign-owned enterprise under PRC law.
2 The unofficial English translations are for identification purposes only.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with international financial reporting standards ("**IFRSs**"), which include all international financial reporting standards, international accounting standards ("**IASs**") and interpretations issued by the international accounting standards board (the "**IASB**") and the disclosure requirements of the Hong Kong companies ordinance.

They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss (Note 22) which have been measured at fair value. These financial statements are presented in "HK$". All values are rounded to nearest thousands (HK$'000) unless otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries (collectively referred to as the "**Group**") for the years ended 30 June 2020 and 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the company. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the group the current ability to direct the relevant activities of the investee).

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.1. BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the company of the group 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 members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the statement of profit or loss and other comprehensive income. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to standards, amendments and interpretation ("**new and amendments to IFRSs**") issued by the IASB for the first time in the current year:

Amendments to IAS 19	Plan Amendments Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle
Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments

Except as described below, the application of the new and amendments to IFRSs 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.

The above new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) IFRS 16 *Leases* – Impact of adoption

Definition of a lease

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

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

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

As a lessee

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

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

a. *Practical expedients applied*

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019.

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-for-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend of terminate the lease.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) Measurement of lease liabilities

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application, if any.

	2019 HK$'000
Operating lease commitments disclosed as at 30 June 2019 (Restated)	1,142
Less: leases with lease term ending within 12 months from the date of initial application	(1,142)
Lease liabilities relating to operating lease recognised upon application of IFRS 16	–

There are no significant impact on the adoption of IFRS 16 of the Company's statement of financial position as at 1 July 2019.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

New and amendments to IFRSs that have been issued but are not yet effective

The Group has not applied the following new and amendments to IFRSs that have been issued but are not yet effective in the consolidated financial statements:

Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[3]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IAS 16	Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020[3]
Amendments to IFRS 3	Reference to Conceptual Framework[3]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IFRS 16	COVID-19 Related Rent Concession[6]
IFRS 17	Insurance Contracts and the related Amendment[4]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 Effective for annual periods beginning on or after a date to be determined.
6 Effective for annual periods beginning on or after 1 June 2020.

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

The directors of the Company ("**Directors**") anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

Acquisitions of businesses are accounted for using 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 are generally 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 at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share – based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non – controlling interests in the acquiree, and the fair value of the acquirer'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 assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum 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 bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another IFRSs.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in an associate and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in an associate and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 is available to measure fair value maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's ("**CGU's**") value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

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

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

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	–	33.33%
Computer	–	33.33%
Motor vehicles	–	16.67%
Office and site equipment	–	12.5% to 33.33%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Plant and equipment and depreciation *(Continued)*

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2.2)

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

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

The Group as lessee (upon application of IFRS 16 in accordance with transitions in Note 2.2)

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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

Short-term leases and leases of low-value assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee (upon application of IFRS 16 in accordance with transitions in Note 2.2) *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not recent third party financing; and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee (upon application of IFRS 16 in accordance with transitions in Note 2.2) *(Continued)*

Lease liabilities (Continued)

Lease payments included in the measurement of the lease liability comprise:

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee (upon application of IFRS 16 in accordance with transitions in Note 2.2) *(Continued)*

Lease modifications

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

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

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

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

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

Definition of a lease (prior to 1 July 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on a straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee (prior to 1 July 2019)

Assets held under finance leases are initially 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 statements 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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Provisions

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

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

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of provision of electrical distribution system are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**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 assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial Assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is classified as held-for-trading if:

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

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is presented in the “Change in fair value of financial assets at fair value through profit or loss, net” line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“**ECLs**”) on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits and other receivables, contract assets, loan receivables and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually and/or collectively using a credit rating with appropriate groupings.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 1-year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Assets *(Continued)*

Impairment of financial assets *(Continued)*

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade receivables and deposits and other receivables are each assessed as a separate group. Loan receivables are assessed for expected credit losses on an individual basis);

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Assets *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL (Continued)

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity instruments

Classification as debt or equity

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.

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 Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including trade and other payables and lease liability) 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 expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense as recognised on an effective interest basis.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is based on a first in, first out basis and includes all costs in bringing the inventories to its present location and condition. In the case of work in progress, comprises direct materials and direct labour. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

(a) Contract revenue from the rendering of engineering services

Revenue from the provision of electrical engineering services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from construction contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of goods or services to their customers.

(b) Revenue from supply and installation of solar photovoltaic parts and equipment

Revenue from sale of goods is recognised at the point in time when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(c) Revenue from provision of electrical distribution system

Revenue from provision of electrical distribution system is recognised at the point in time when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(d) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as "interest income" where it is mainly earned from financial assets that are held for cash management purposes.

(e) Dividend income

Dividend income is recognised at the point in time when the shareholders' right to receive payment is established.

Goods and services tax ("GST")

Revenues, expenses and assets incurred by Strike Singapore are recognised net of the amount of GST, except:

- where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Employee benefits

(a) Defined contribution plans

Mandatory Provident Fund

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

Central Pension Scheme

Subsidiaries operating in the PRC have participated in the Central Pension Scheme (the "**CPS**") operated by the PRC government for all of their employees. These PRC subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group with respect to the CPS is to pay the ongoing required contributions under the CPS. Contributions under the CPS are charged to profit or loss as they become payable in accordance with the rules of the CPS.

Central Provident Fund

Subsidiaries in Singapore make contributions to the Central Provident Fund ("**CPF**") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Employee leave entitlement

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

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a valuation model, further details of which are given in Note 33 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss and other comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in Singapore dollars to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in exchange fluctuation reserve. Such exchange differences accumulated in the exchange fluctuation reserve are not reclassified to profit or loss subsequently.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into HK$ at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The change in presentation currency of the Company was applied retrospectively, as if the new presentation currency had always been applied.

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 translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Contingencies

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

b) a present obligation that arises from past events but is not recognised because:

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities and assets are not recognised on the consolidated statement of financial position of the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Cash-generating unit for goodwill impairment

Goodwill arose from the acquisition of companies engaged in solar power business (the "**Acquisition**") in prior year. Management is of the view that all the subsidiaries of the Group which were or are engaged in the solar power business, constitute a single cash generating unit, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Accordingly, the whole solar power business, segment has been identified by management as a cash generating unit for the impairment testing of goodwill.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Construction contracts for provision of engineering services

Under adoption of IFRS 15, accounting policy for rendering of electrical engineering service during the course of construction by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period. Progress towards complete satisfaction of a performance obligation is measured based on input method.

Significant judgement is required to estimate the total cost on completion. The uncertainty and subjectivity involved in determining the total cost on completion may result in a significant impact to the revenue recognised during the year.

The amount of contract revenue recognised based on input method is disclosed in Note 5. The carrying amounts of contract assets are disclosed in Note 19.

If the estimated total construction cost increases/decreases by 10% from management's estimates, the Group's net loss after tax will be approximately HK$36,000 higher/lower (2019: loss after tax will be approximately HK$1,175,000 higher/lower).

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(b) Impairment of non-financial assets (other than goodwill)

The Group assesses at each reporting date whether there are any indicators of impairment for all non-financial assets, including its plant and equipment and right-of-use assets (2019: its plant and equipment and its interests in joint ventures and associate) at each reporting date. To determine whether there is any objective evidence of impairment, the Company considers external factors including decline in asset values, significant changes with an adverse effect in the market or economic or legal environment in which the entity operates and internal factors such as evidence from internal reporting.

Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2020 was approximately HK$9,659,000 (2019: approximately HK$59,344,000). Further details are given in Note 12 to the consolidated financial statements.

(d) Provision of ECL for trade and other receivables, contract assets and loan receivables (the "Receivables")

The Group estimates the amount of loss allowance for ECL on the Receivables. The assessment of the ECL involves high degree of estimation and uncertainty.

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(e) Income taxes

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) provision of electrical engineering services ("**Engineering services**");

(b) supply and installation of solar photovoltaic parts and equipment ("**Solar power business**"); and

(c) provision of electrical distribution system ("**Electrical distribution system business**").

Management considers the business from product type perspective. Management monitors the results of Engineering services, Solar power business and Electrical distribution system business separately for the purpose of making decisions about resource allocation and performance assessment. Management was of the view that these three segments were mutually exclusive and distinguished from each other.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit/loss before tax from continuing operations except that unallocated gains, including change in fair value of financial assets of fair value through profit or loss, finance cost, as well as head office and corporate expenses are excluded from such measurement.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

4. SEGMENT INFORMATION *(Continued)*

There were no inter-segment sales in the two financial years ended 30 June 2019 and 30 June 2020.

Segment assets exclude unallocated head office and corporate assets such as certain of plant and equipment, financial assets at fair value through profit or loss, certain prepayments, deposits and other receivables, loan receivables and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities such as certain of income tax payable, other payables and lease liabilities as these liabilities were managed on a group basis.

Year ended 30 June 2020	Engineering services HK$'000	Solar power business HK$'000	Electrical distribution system business HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	2,652	152,916	146,964	302,532
Segment results:	(3,251)	(47,917)	6,274	(44,894)
Unallocated losses				(12,501)
Corporate and other unallocated expenses				(12,377)
Loss before tax				(69,772)
Segment assets:	69,252	108,634	181,199	359,085
Corporate and other unallocated assets				57,144
Total assets				416,229
Segment liabilities:	6,473	33,909	23,813	64,195
Corporate and other unallocated liabilities				4,424
Total liabilities				68,619

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

4. SEGMENT INFORMATION *(Continued)*

Year ended 30 June 2019	Engineering services HK$'000 (Restated)	Solar power business HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue:			
Sales to external customers	18,181	452,509	470,690
Segment results:	8,738	16,390	25,128
Unallocated losses			(38,027)
Corporate and other unallocated expenses			(18,534)
Loss before tax			(31,433)
Segment assets:	103,213	280,440	383,653
Corporate and other unallocated assets			97,382
Total assets			481,035
Segment liabilities:	17,545	27,664	45,209
Corporate and other unallocated liabilities			5,292
Total liabilities			50,501

Other segment information	**Engineering services** HK$'000	**Solar power business** HK$'000	**Electrical distribution system business** HK$'000	**Unallocated** HK$'000	**Total** HK$'000
Year ended 30 June 2020					
Depreciation	**188**	**10**	**–**	**986**	**1,184**
Capital expenditure	**6**	**29**	**–**	**2,971**	**3,006**
Impairment loss recognised in respect of goodwill	**–**	**48,356**	**–**	**–**	**48,356**
Year ended 30 June 2019 (Restated)					
Depreciation	513	5	–	1,021	1,539
Capital expenditure	1,013	–	–	999	2,012
Impairment loss recognised in respect of goodwill	–	22,159	–	–	22,159

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

4. SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2020 HK$'000	2019 HK$'000 (Restated)
The PRC	299,880	452,509
Singapore	2,652	18,181
	302,532	470,690

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2020 HK$'000	2019 HK$'000 (Restated)
Hong Kong	2,952	967
Singapore	390	24,728
The PRC	9,659	59,354
	13,001	85,049

The non-current assets information is presented based on the geographical location of the assets.

Information about major customers

Revenue from major customers for the two financial years ended 30 June 2019 and 30 June 2020 contributing over 10% of the total revenue of the Group were as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Customer A[1]	91,025	212,546
Customer B[1]	–	162,041
Customer C[1]	141,487	69,893
Customer D[1]	67,368	N/A[2]

1 Solar power business and electrical distribution system business.
2 Revenue from the relevant customer is less than 10% of the total revenue of the Group.

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For the year ended 30 June 2020

5. REVENUE

Revenue represents an appropriate proportion of contract revenue of construction contracts, provision for solar power business and provision of electrical distribution system during the year.

	2020 HK$'000	2019 HK$'000 (Restated)
Over time:		
– Contract revenue from provision of electrical engineering services	2,652	18,181
At a point in time:		
– Supply and installation of solar photovoltaic parts and equipment	152,916	452,509
– Provision of electrical distribution system	146,964	–
	302,532	470,690

6. OTHER GAINS AND LOSSES, NET

	2020 HK$'000	2019 HK$'000 (Restated)
Foreign exchange loss	(4,192)	(3,659)
Bank interest income	491	732
Incentives from the Singapore Government *(Note (a))*	54	54
Gain on disposal of plant and equipment	104	162
Gain on disposal of an associate	307	–
Net loss on disposal of joint ventures	(855)	–
Jobs Support Scheme *(Note (b))*	366	–
Loan interest income	2,557	824
Others	166	221
	(1,002)	(1,666)

Notes:

(a) Incentives from the Singapore Government comprise special employment credit, temporary employment credit and wages credit scheme. There are no unfulfilled conditions or contingencies relating to these incentives.

(b) Jobs Support Scheme (JSS) was announced at Singapore Government's budget statement, which was presented against a backdrop of the on-going COVID-19 outbreak, for financial year 2020. JSS provides wage support to employers, helping enterprises retain their local employees (Singapore citizens and permanent residents in Singapore) during this period of economic uncertainty.

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000 (Restated)
Interest on:		
– Lease liability	51	–

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

		2020 HK$'000	2019 HK$'000 (Restated)
(a)	Cost of sales (Refer to (b) below)	**277,448**	421,680
	Auditors' remuneration	**1,200**	1,400
	Depreciation of plant and equipment *(Note 15)*	**816**	1,539
	Depreciation of right-of-use asset *(Note 16)*	**368**	–
	Impairment loss on plant and equipment	**30**	1,158
	Gain on disposal of plant and equipment	**(104)**	(162)
	Minimum lease payments under operating leases	**–**	3,240
	Expenses relating on short-term leases	**2,378**	–
	Legal and professional expenses	**1,532**	2,523
	Employee benefits (Refer to (c) below)	**11,803**	20,485
	Net fair value loss on financial assets at fair value through profit or loss (Refer to (d) below)	**10,976**	35,225
(b)	Cost of sales:		
	– Contract cost from provision of electrical engineering services	**428**	14,153
	– Contract cost from provision of solar power business	**145,901**	407,527
	– Contract cost from provision of electrical distribution system	**131,119**	–
		277,448	421,680
(c)	Employee benefits (including Directors' remuneration) *(Note 9(a))*:		
	– Directors' fee	**2,268**	2,473
	– Salaries, wages and bonuses	**8,942**	17,104
	– Pension scheme contributions	**593**	908
		11,803	20,485
(d)	Net fair value loss on financial assets at fair value through profit or loss:		
	– Unrealised loss on fair value of financial assets at fair value through profit or loss	**10,976**	35,225

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

9. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(a) Executive directors, non-executive director, independent non-executive directors and the chief executive

Directors' and the chief executive's remuneration, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Fees	**2,268**	2,473
Other remuneration:		
– Salaries and bonuses	**1,080**	2,270
– Pension scheme contributions	**36**	44
	3,384	4,787

The executive directors' emoluments shown below were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments shown below were mainly for his services as director of the Company or its subsidiaries. The independent non-executive directors' emoluments shown below were mainly for their services as directors of the Company.

Notes to the Consolidated Financial Statements
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9. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Executive directors, non-executive director, independent non-executive directors and the chief executive *(Continued)*

During the years ended 30 June 2020 and 2019, none of the Directors held share options under the Company's share option scheme.

(i) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	Fees HK$'000	Salaries and bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 30 June 2020				
Leung Po Hon	**276**	**–**	**–**	**276**
Luo Xiaodong	**276**	**–**	**–**	**276**
Li Jin	**276**	**–**	**–**	**276**
	828	**–**	**–**	**828**

	Fees HK$'000 (Restated)	Salaries and bonuses HK$'000 (Restated)	Pension scheme contributions HK$'000 (Restated)	Total HK$'000 (Restated)
Year ended 30 June 2019				
Leung Po Hon	276	–	–	276
Luo Xiaodong	276	–	–	276
Li Jin	276	–	–	276
	828	–	–	828

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

9. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Executive directors, non-executive director, independent non-executive directors and the chief executive *(Continued)*

(i) Independent non-executive directors *(Continued)*

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

(ii) Executive directors and non-executive director

In respect of individuals, who acted as executive directors or a non-executive director of the Company, the remuneration received or receivable from the Group during the year is as follows:

	Fees HK$'000	Salaries and bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 30 June 2020				
Executive Directors:				
Liu Yancheng *(Chairman)*	600	600	18	1,218
Yao Runxiong	480	480	18	978
Non-executive Director:				
Tam Tak Wah	360	–	–	360
	1,440	1,080	36	2,556

Notes to the Consolidated Financial Statements
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9. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Executive directors, non-executive director, independent non-executive directors and the chief executive *(Continued)*

(ii) Executive directors and non-executive director *(Continued)*

	Fees HK$'000 (Restated)	Salaries and bonuses HK$'000 (Restated)	Pension scheme contributions HK$'000 (Restated)	Total HK$'000 (Restated)
Year ended 30 June 2019				
Executive Directors:				
Liu Yancheng^ *(Chairman)*	600	1,600	18	2,218
Peng Rongwu*	55	40	2	97
Liu Xinsheng@	150	150	6	306
Yao Runxiong#	480	480	18	978
Non-executive Director:				
Tam Tak Wah	360	–	–	360
	1,645	2,270	44	3,959

^ This director was appointed as executive director on 5 January 2017 and appointed as chairman on 1 March 2017.

@ This director was appointed as executive director on 2 May 2017 and resigned on 23 October 2018.

* This director resigned on 7 August 2018.

This director was appointed as executive director on 25 October 2017.

(b) Five highest paid employees

The five highest paid employees of the Group during the year are as follows:

	2020	2019
Directors *(including Managing Director)*	**2**	2
Non-director employees	**3**	3
	5	5

Notes to the Consolidated Financial Statements
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9. DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(b) Five highest paid employees *(Continued)*

Details of the remuneration of the Directors are set out in (a) above.

The five highest paid employees during the year included two directors (2019: two directors), details of whose remuneration are set out in (a) above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Salaries and bonuses	4,605	4,362
Pension scheme contributions	145	147
	4,750	4,509

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2020	2019
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	2	2
	3	3

During the year, no emoluments (2019: Nil) were paid by the Group to any of the persons who are directors (including managing director) of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the five highest paid individuals (2019: Nil) has waived any remuneration during the year.

Notes to the Consolidated Financial Statements
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10. INCOME TAX EXPENSE

The Company's profit is not subject to any tax in its country of incorporation, the Cayman Islands. Income tax expense for the Group relates mainly to the assessable profits arising in Hong Kong subject to 8.25%/16.5% (if applicable) tax rate in Hong Kong, profits of the subsidiary in Singapore which is taxed at a statutory tax rate of 17% and corporate income tax which has been provided for subsidiaries in the PRC based on assessable profits arising in the PRC during the year. Subsidiaries located in the PRC are subject to the PRC corporate income tax at a rate of 25% on its assessable profits.

	2020 HK$'000	2019 HK$'000 (Restated)
Current – Singapore		
– Under-provision in respect of prior years	**–**	194
Current – Others (the PRC and Hong Kong)		
– Charge for the year	**4,078**	9,504
– Under-provision in respect of prior year	**46**	–
Deferred *(Note 26)*		
– Origination and reversal of temporary differences	**(96)**	(174)
Total tax charge for the year	**4,028**	9,524

According to the PRC on Enterprise Income Tax (the "**EIT Law**"), withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

No provision the Hong Kong profits tax has been made as the subsidiaries incorporated in Hong Kong had no assessable profits arising in Hong Kong for the year ended 30 June 2019.

A reconciliation of the tax expense applicable to profit before tax at the applicable statutory tax rates for the countries in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates for the year, are as follows:

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rate regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

10. INCOME TAX EXPENSE *(Continued)*

	2020					
	Singapore HK$'000	%	Others (the PRC and Hong Kong) HK$'000	%	Total HK$'000	%
Loss before tax	(3,251)		(65,665)		(68,916)	
Taxation at statutory tax rate	(553)	17.0	(10,329)	8.25-25	(10,882)	15.8
Lower tax rate for specific local authority	(59)	1.8	(141)	0.2	(200)	0.3
Profit or loss attributable to results of joint ventures and an associate	(38)	1.2	–	–	(38)	(0.1)
Enhanced carry-back relief	(96)	3.0	–	–	(96)	0.1
Income not subject to tax	(170)	5.2	(408)	0.6	(578)	0.8
Under-provision in respect of prior year	–	–	47	(0.1)	47	(0.1)
Expense not deductible for tax	40	(1.2)	12,387	(18.9)	12,427	(18.0)
Tax loss not recognised	780	(24.0)	2,588	(3.9)	3,368	(4.9)
Tax reduction for the year	–	–	(20)	–	(20)	–
Tax charge at the Group's effective rates	(96)	3.0	4,124	(6.3)	4,028	(5.8)

	2019					
	Singapore HK$'000 (Restated)	% (Restated)	Others (the PRC and Hong Kong) HK$'000 (Restated)	% (Restated)	Total HK$'000 (Restated)	% (Restated)
Profit (loss) before tax	8,738		(40,171)		(31,433)	
Taxation at statutory tax rate	1,485	17.0	(3,421)	16.5-25	(1,936)	6.2
Lower tax rate for specific local authority	(23)	(0.3)	–	–	(23)	0.1
Profit or loss attributable to results of joint ventures and an associate	(1,877)	(21.5)	–	–	(1,877)	6.0
Adjustments in respect of current tax of previous year	194	2.2	–	–	194	(0.6)
Income not subject to tax	(27)	(0.3)	(74)	0.2	(101)	0.3
Expense not deductible for tax	49	0.6	12,999	(32.4)	13,048	(41.5)
Tax loss not recognised	219	2.5	–	–	219	(0.7)
Tax charge at the Group's effective rates	20	0.2	9,504	(23.7)	9,524	(30.3)

The share of tax attributable to the joint ventures and an associate amounting to approximately HK$157,000 (2019: approximately HK$2,072,000) and loss of approximately HK$119,000 (2019: loss of approximately HK$195,000) is included in "share of results of joint ventures" and "share of results of an associate" in the consolidated statement of profit or loss and other comprehensive income respectively.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

11. LOSS PER SHARE

The weighted average number of equity shares refers to weighted average number of shares in issue during the year. The basic loss per share are based on the weighted average number of ordinary shares outstanding during the year.

The calculation of basic loss per share is based on:

	2020	2019 (Restated)
Loss		
Loss attributable to equity holders of the parent, used in the basic loss per share calculation HK$'000	**(74,903)**	(52,575)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (in thousand)	**1,390,280**	1,390,280
Basic loss per share (HK cents)	**(5.39)**	(3.78)

Basic loss per share is the same as diluted loss per share, as the Group had no potentially dilutive ordinary shares (2019: Nil) in issue during the year.

12. GOODWILL

	2020 HK$'000	2019 HK$'000
Cost		
At the beginning of the year	**321,590**	334,979
Exchange realignment	**(12,151)**	(13,389)
At the end of the year	**309,439**	321,590
Accumulated impairment loss		
At the beginning of the year	**262,246**	250,544
Impairment loss recognised during the year	**48,356**	22,159
Exchange realignment	**(10,822)**	(10,457)
At the end of the year	**299,780**	262,246
Net carrying amount at the end of the year	**9,659**	59,344

Notes to the Consolidated Financial Statements
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12. GOODWILL *(Continued)*

Impairment assessment

Goodwill acquired through business combinations is allocated to solar power business CGU for impairment testing. The recoverable amount of the CGU to which the goodwill was allocated has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period (2019: five-year period) approved by senior management. The Group has appointed an independent professional valuer to perform a value-in-use calculation for impairment assessment on the CGU. Key inputs and assumptions in the valuation are as follows:

For the year ended 30 June 2020

The pre-tax discount rate applied for the cash flow projections is 24.28%. The projected sales for the forecasted was prepared based on (i) budgeted sales for the year ending 30 June 2021; (ii) prudent annualised growth rate of 12% per year for the year ending 30 June 2022 to year ended 30 June 2024; and (iii) revenue for the year ended 30 June 2024 onwards are extrapolated with zero growth rate.

The estimated forecasted revenue and growth rate of the CGU was prepared by the management of the Company after considering (i) historical operation data; (ii) budgeted sales for the year ending 30 June 2021; (iii) market development during year ended 30 June 2020; and (iv) expected market development in future. In particular, management of the Group noted that although the CGU, which is mainly engaged in supply and installation of solar photovoltaic parts and equipment, suffered significant decrease in revenue for the financial year ended 30 June 2020 and recognised revenue of approximately RMB137.0 million (equivalent to approximately HK$152.9 million) compared to revenue of approximately RMB389.6 million (equivalent to approximately HK$452.5 million) for the financial year ended 30 June 2019. For goodwill impairment assessments purpose, management of the Group is of the view that under the new policy in the PRC on Photovoltaic Power Generation and the circular on construction of Wind and Photovoltaic ("**PV**") Power Generation projects which was issued by the PRC government in May 2019, the industry in the PRC experienced further adjustment upon transforming to market led and quality enhancement projects, focusing on the development of non-subsidised (grid parity) projects. Therefore, management of the Group expects industry consolidation in the coming years which in the longer term will lead to a more sustainable development after the market consolidation. On these bases, management only budgeted a slight increase in revenue to RMB157.5 million of revenue for the financial year ending 30 June 2021, and a slight increase in gross profit of the CGU. The Company believes the business over a longer period will recover, which the management consider the revenue would be recovered based on dropped revenue in current year (i.e. approximately 12% annual growth rate) for the year ending 30 June 2022 to 30 June 2024.

12. GOODWILL *(Continued)*

Impairment assessment *(Continued)*

For the year ended 30 June 2019

The pre-tax discount rate applied for the cash flow projections is 22.98%. The projected sales for the forecasted was prepared based on (i) budgeted sales for the year ending 30 June 2020; (ii) prudent annualised growth rate of 5% per year for the year ending 30 June 2021 to year ended 30 June 2023 and (iii) revenue for the year ended 30 June 2023 onwards are extrapolated with zero growth rate.

The estimated forecasted revenue and growth rate of the CGU was prepared by the management of the Company after considering (i) historical operation data; (ii) budgeted sales for the year ending 30 June 2020; (iii) market development during year ended 30 June 2019; (iv) expected market development in future; and (v) the market research obtained by the management. In particular, management of the Group noted that although the CGU, which is mainly engaged in supply and installation of solar photovoltaic parts and equipment, achieved a significant increase in revenue for the financial year ended 30 June 2019 and recognised revenue of approximately RMB389.6 million (equivalent to approximately HK$452.5 million) compared to revenue of approximately RMB211.5 million (equivalent to approximately HK$249.4 million) for the financial year ended 30 June 2018. For goodwill impairment assessments purpose, management of the Group is of the view that under the new policy in the PRC on Photovoltaic Power Generation and the circular on construction of Wind and Photovoltaic ("**PV**") Power Generation projects which was issued by the PRC government in May 2019, the industry in the PRC experienced further adjustment upon transforming to market led and quality enhancement projects, focusing on the development of non-subsidised (grid parity) projects. Therefore, management of the Group expects industry consolidation in the coming years which in the longer term will lead to a more sustainable development after the market consolidation. On these bases, management budgeted a significant decrease in revenue, and hence gross profit, of the CGU to RMB290 million of revenue for the financial year ending 30 June 2020. Furthermore, due to the recent change in the market of solar power business, the Company expects the future revenue will decline in year ending 30 June 2020 which is reference to the Company future contracts on hand and in negotiation, together with market research data. However, the Company believes the business over a longer period will recover, which the management consider 5% annualised growth for the year ending 30 June 2021 to 30 June 2024 was made after due care and was prudent.

Assumptions were used in the value in use calculation of the solar power business cash-generating unit. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Forecast revenue – the basis used to determine the value assigned to the forecast revenue is the forecast revenue from the supply and installation of solar photovoltaic parts and equipments.

Budgeted cost of sales – The budgeted cost of sales have been determined based on management's expected procurement costs for the supply and installation of solar photovoltaic parts and equipments.

Discount rate – The discount rate used is before tax and reflected specific risks relating to the unit.

Growth rate – The growth rate used to extrapolate beyond projections period.

As the recoverable amount of the CGU was calculated to be lower than its carrying amount, an impairment loss of approximately HK$48,356,000 (2019: approximately HK$22,159,000) was recognised in the consolidated statement of profit or loss and other comprehensive income. The impairment loss arose because of management expectations that there will be industry consolidation in the PRC for PV power generation projects due to the new PRC government policy on such projects and the newly issued government circular referred to above, which caused downward revisions to be made to the budgeted revenue, and hence gross profit, of the CGU for the coming year ending 30 June 2021, and the subsequent years.

As the CGU has been reduced to its recoverable amount of approximately HK$9,659,000 (2019: approximately HK$59,344,000), any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

Notes to the Consolidated Financial Statements
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13. INTERESTS IN JOINT VENTURES

	2019 HK$'000 (Restated)
Unlisted shares, at cost	2,120
Share of post-acquisition reserves	20,134
Exchange adjustments	335
Share of net assets	22,589

Particulars of the Group's Joint ventures are as follows:

		Percentage of			
Name	Place of registration and business	Ownership interest 2019	Voting power 2019	Profit sharing 2019	Principal activity
YL Integrated Pte Ltd ("**YL**") *(Note (a))*	Singapore	50	50	50	Electrical works and mixed construction activities
NEK Electrical Engineering Pte Ltd ("**NEK**") *(Note (b))*	Singapore	50	50	50	Electrical works and mixed construction activities

The Group's shareholdings in the joint ventures all comprise equity shares held through a subsidiary, Strike Singapore.

Notes:

(a) On 28 February 2020, Strike Electrical Engineering Pte. Ltd. (the "Vendor"), a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company, entered into disposal agreement with Mr. Loh Voon Sheng (the "Purchaser of YL"), an independent third party, pursuant to which the Vendor agreed to sell and the Purchaser of YL agreed to acquire 50% of the issued share capital of YL at a total consideration of S$3,235,000 (equivalent to approximately HK$18,079,000) with share of net assets amounted to S$3,406,000 (equivalent to approximately HK$19,038,000) as at the date of disposal.

(b) On 22 November 2019, the Vendor entered into disposal agreement with Mr. Ng Eng Khim (the "Purchaser of NEK"), an independent third party, pursuant to which the Vendor agreed to sell and the Purchaser of NEK agreed to acquire 50% of the issued share capital of NEK at a total consideration of S$480,000 (equivalent to approximately HK$2,748,000) with share of net assets amounted to S$462,000 (equivalent to approximately HK$2,644,000) as at the date of disposal.

Notes to the Consolidated Financial Statements
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13. INTERESTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information of YL reconciled to the carrying amount in the financial statements:

	2020 HK$'000	2019 HK$'000 (Restated)
Joint venture's assets and liabilities:		
Cash and cash equivalents	–	2,162
Other current assets	–	59,456
Current assets	–	61,618
Non-current assets	–	7,722
Current liabilities	–	(28,394)
Non-current liabilities	–	(3,000)
Net assets	–	37,946
Reconciliation to the Group's interest in the joint venture:		
Net assets	–	37,946
Non-controlling interest	–	(1,382)
	–	36,564
Proportion of the Group's ownership	–	50%
Carrying amount of the investment	–	18,282
Revenue	**88,145**	148,763
Profit and other comprehensive income for the year attributable to:		
– Owner of YL	**2,693**	17,268
– Non-controlling interests	**(297)**	(92)
Profit and other comprehensive income for the year	**2,396**	17,176
– Depreciation	**1,298**	2,157
– Income tax expense	**456**	2,961
Dividend received#	**(2,794)**	(2,880)

YL had declared an interim dividend amounting to approximately HK$5,589,000 (2019: approximately HK$5,760,000) to its shareholders during the year of which Strike Singapore had entitled dividend amounting to approximately HK$2,794,000 (2019: approximately HK$2,880,000) during the year ended 30 June 2020. The dividends were be allotted as equivalent received paid-up capital by YL.

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13. INTERESTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information of NEK reconciled to the carrying amount in the financial statements:

	2020 HK$'000	2019 HK$'000 (Restated)
Joint venture's assets and liabilities:		
Cash and cash equivalents	–	1,323
Other current assets	–	8,249
Current assets	–	9,572
Non-current assets	–	1,290
Financial liabilities, excluding trade and other payables	–	(149)
Other current liabilities	–	(1,844)
Current liabilities	–	(1,993)
Non-current financial liabilities, excluding trade and other payables	–	(163)
Other non-current liabilities	–	(91)
Non-current liabilities	–	(254)
Net assets	–	8,615
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	–	50%
Carrying amount of the investment	–	4,307
Revenue	**2,087**	17,412
(Loss) profit and other comprehensive (expenses) income for the year	**(846)**	7,107
– Income tax (expenses) credit	–	(1,045)
Dividend received#	**(1,202)**	–

NEK had declared and paid an interim dividend amounting to approximately HK$2,404,000 (2019: Nil) to its shareholders during the year ended 30 June 2020 of which Strike Singapore had received dividend amounting to approximately HK$1,202,000 (2019: Nil) during the year ended 30 June 2020.

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14. INTEREST IN AN ASSOCIATE

	2019 HK$'000 (Restated)
Unlisted shares, at cost	707
Share of post-acquisition reserves	825
Exchange adjustments	54
Share of net assets	1,586

Particulars of the associate are as follows:

Name	Place of registration and business	Percentage of Ownership interest 2019	Percentage of Voting power 2019	Percentage of Profit sharing 2019	Principal activity
SRM Electrical Engineering Pte Ltd ("**SRM**") *(Note)*	Singapore	50	50	50	Electrical works and mixed construction activities

The Group's shareholdings in the associate comprise equity shares held through a subsidiary, Strike Singapore.

Note:

On 15 January 2020, the Vendor entered into disposal agreement with Mr. Low Tian Siang (the "Purchaser of SRM"), an independent third party, pursuant to which the Vendor agreed to sell and the Purchaser of SRM agreed to acquire 50% of the issued share capital of SRM at a total consideration of approximately S$180,000 (equivalent to approximately HK$1,036,000) with share of net assets amounted to S$126,000 (equivalent to approximately HK$729,000) as at the date of disposal.

The following table illustrates the summarised financial information of SRM reconciled to the carrying amount in the financial statements:

	2020 HK$'000	2019 HK$'000 (Restated)
Current assets	**–**	3,975
Non-current assets	**–**	232
Current liabilities	**–**	(1,036)
Non-current liabilities	**–**	–
Net assets	**–**	3,171
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's interest in the associate	**–**	50%
Carrying amount of the investment	**–**	1,586
Revenue	**1,542**	2,995
Loss and other comprehensive expense for the year	**(1,400)**	(2,294)
Dividend received#	**(145)**	–

\# SRM had declared and paid an interim dividend amounting to approximately HK$289,000 (2019: Nil) to its shareholders during the year ended 30 June 2020 of which Strike Singapore had received dividend amounting to approximately HK$145,000 (2019: Nil) during the year ended 30 June 2020.

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15. PLANT AND EQUIPMENT

	Leasehold Improvement HK$'000	Computer HK$'000	Motor vehicles HK$'000	Office and site equipment HK$'000	Total HK$'000
Group					
Cost:					
At 1 July 2018	783	231	3,152	1,285	5,451
Additions	1,172	40	786	14	2,012
Disposals	–	–	(685)	–	(685)
Write-off	–	(44)	–	(44)	(88)
Exchange realignment	2	–	5	2	9
At 30 June 2019 and 1 July 2019	1,957	227	3,258	1,257	6,699
Additions	2	28	–	29	59
Disposals	–	–	(359)	(41)	(400)
Exchange realignment	(42)	(3)	(38)	(32)	(115)
At 30 June 2020	**1,917**	**252**	**2,861**	**1,213**	**6,243**
Accumulated depreciation:					
At 1 July 2018	318	201	1,752	740	3,011
Charge for the year	425	29	869	216	1,539
Impairment loss for the year *(Note)*	1,001	–	–	157	1,158
Write-off	–	(44)	–	(44)	(88)
Disposals	–	–	(457)	–	(457)
Exchange realignment	1	–	3	2	6
At 30 June 2019 and 1 July 2019	1,745	186	2,167	1,071	5,169
Charge for the year	208	24	506	78	816
Impairment loss for the year *(Note)*	–	–	–	30	30
Disposals	–	–	(299)	(41)	(340)
Exchange realignment	(42)	(3)	(27)	(28)	(100)
At 30 June 2020	**1,911**	**207**	**2,347**	**1,110**	**5,575**
Net carrying value:					
At 30 June 2020	**6**	**45**	**514**	**103**	**668**
At 30 June 2019	212	41	1,091	186	1,530

Note:

Due to facing loss on Solar power business (2019: slowdown of Engineering services), the management of the Group concluded there was indication for impairment amount to approximately HK$31,000 (2019: approximately HK$1,158,000) and conducted impairment assessment on recoverable amounts of certain property, plant and equipment with carrying amounts was Nil (2019: approximately HK$225,000). The recoverable amount of CGU has been determined based on a value in use calculation, details please refer to Note 12.

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16. RIGHT-OF-USE ASSET

	Buildings leased for own used HK$'000
Cost	
As at 1 July 2019 (Restated)	–
Additions	2,947
As at 30 June 2020	**2,947**
Accumulated depreciation	
As at 1 July 2019 (Restated)	–
Depreciation provided for the year	368
As at 30 June 2020	**368**
Net carrying amounts	
As at 30 June 2020	**2,579**
As at 1 July 2019	–

Notes:

(a) The Group leases several assets including properties. The average lease term is 2 years.

(b) As at 30 June 2020, the Group is committed approximately to Nil (2019: approximately HK$1,142,000) for short-term leases.

(c) The total cash outflow for leases amount approximately to HK$476,000 for the year ended 30 June 2020.

17. INVENTORIES

	2020 HK$'000	2019 HK$'000 (Restated)
Raw materials	**53**	83

18. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000 (Restated)
Trade receivables:		
Third parties		
– Gross amount	**241,755**	222,014
– Less: allowance for ECL	**(13,430)**	(4,247)
	228,325	217,767
Other receivables:		
Interest receivables		
– Gross amount	**1,072**	421
– Less: allowance for ECL	**(3)**	(33)
	1,069	388
Deposits	**779**	748
Others	**961**	68
	2,809	1,204
Total trade receivables, deposits and other receivables	**231,134**	218,971

Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 120 to 180 days.

An aging analysis of the trade receivables as at the end of the year, based on the invoice date (net of allowance for ECL), is as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Less than 30 days	**20,790**	–
30 to 60 days	**76,872**	65,802
61 to 90 days	**19,213**	7
91 to 180 days	**74,301**	102,756
More than 180 days	**37,149**	49,202
	228,325	217,767

Trade receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experiences, the directors are of the opinion that no allowance for ECL is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered to be fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Further details on the Group's credit policy and credit risk arising from trade receivables, deposits and other receivables are set out in Note 36.

Notes to the Consolidated Financial Statements
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19. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000 (Restated)
Contract assets *(Note (a))*	**10,956**	10,791

Note:

(a) Contract assets primarily relate to the subsidiaries, Strike Singapore's and Loydston New Energy's rights to consideration for work completed but not yet billed at reporting date. Contract assets are transferred to receivables when the rights become unconditional. Allowance for ECL of approximately HK$175,000 (2019: reversal of allowance for ECL approximately HK$1,092,000) was recognised during the year ended 30 June 2020. Further details on the Group's credit policy and credit risk arising from contract assets are set out in Note 36.

Management estimates the loss allowances on contract assets at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction projects. None of the amounts due from customers at the end of the reporting period is past due.

20. LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000 (Restated)
Fixed-rate loan receivables	**29,500**	20,500
Less: allowance for ECL	**(27)**	(1,634)
	29,473	18,866

As at 30 June 2020, loan receivables included amounts of approximately HK$29,500,000 (2019: approximately HK$20,500,000).

On 10 July 2019, 23 January 2020, 11 February 2020, 2 June 2020 and 16 June 2020, five loans were granted to five independent third party individuals, with principal amounts of HK$5,000,000, HK$5,000,000, HK$6,000,000, HK$9,000,000 and HK$4,500,000 with interest rates of 9.125%, 12%, 9.75%, 10.25% and 11% per annum, respectively. All loans were unsecured and for a term that range from eight to ten months.

As at 30 June 2019, loan receivables represents three loans were granted to three independent third party individuals, with principal amounts of HK$4,000,000, HK$12,000,000 and HK$4,500,000 on 15 October 2018, 2 May 2019 and 20 June 2019, and at the interest rates of 8.125%, 9.125% and 9.125% per annum respectively. These loans were all unsecured and for a term of nine months. All loans were fully settled as of 30 June 2020.

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21. PREPAYMENTS

	2020 HK$'000	2019 HK$'000 (Restated)
Prepayments (Note (a))	**31,793**	25,168

Note:

(a) At 30 June 2020, included in the prepayments are mainly representing of approximately HK$18,211,000 and HK$13,105,000 (2019: approximately HK$24,766,000 and Nil) for prepayment to suppliers for solar photovoltaics parts and equipment and electrical distribution system, respectively.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000 (Restated)
Listed securities held-for-trading, at fair value:		
Equity securities listed in Hong Kong	**13,089**	24,065

The above equity investments at 30 June 2020 and 2019 were classified as financial asset at fair value through profit or loss and were accordingly, belonged to the financial assets at fair value through profit or loss category.

Stock code	Company name	No. of share held at 30 June 2020 '000	Percentage of shareholding as at 30 June 2020	Percentage of shareholding as at 30 June 2019	Market value as at 30 June 2020 HK$'000	Approximate percentage to the Group's net assets as at 30 June 2020	Market value as at 30 June 2019 HK$'000	Approximate percentage to the Group's net assets as at 30 June 2019	Change in fair value of held-for-trading instruments for the years ended (Note 8(d)) 30 June 2020 HK$'000	Change in fair value of held-for-trading instruments for the years ended (Note 8(d)) 30 June 2019 HK$'000
164	China Baoli Technologies Holdings Limited	**2,490**	**0.067%**	0.067%	**-**	**-**	246	0.06%	**(246)**	(1,845)
804	Pinestone Capital Limited	**41,400**	**0.918%**	0.843%	**7,327**	**2.11%**	3,478	0.81%	**3,849**	(3,519)
1869	Li Bao Ge Group Limited	**830**	**0.083%**	0.104%	**191**	**0.05%**	249	0.06%	**(58)**	(83)
8423	Chi Ho Development Holdings Limited	**14,900**	**1.863%**	1.863%	**5,513**	**1.59%**	19,817	4.60%	**(14,304)**	(19,370)
8293	SingAsia Holdings Limited	**1,925**	**0.128%**	0.154%	**58**	**0.02%**	275	0.06%	**(217)**	(10,408)
					13,089	**3.77%**	24,065	5.59%	**(10,976)**	(35,225)

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Equity securities listed in Hong Kong were measured at fair value at the end of the reporting period. The fair value of the equity securities listed in Hong Kong were determined with reference to quoted market closing price, except for one of the listed equity securities, which have been suspended from trading on the Exchange since 28 June 2019, with a fair value of is HK$ Nil as at 30 June 2020. The fair value of the suspended equity securities listed in Hong Kong at 30 June 2020 was measured with unobservable inputs and hence was classified under Level 3 of the fair value hierarchy.

During the year ended 30 June 2020, a loss arising on change in fair value of financial assets at FVTPL of approximately HK$10,976,000 (2019: approximately HK$35,225,000) was recognised in the consolidated statement of profit or loss.

23. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000 (Restated)
Cash at banks and on hand	86,730	98,042

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Bank balances denominated in foreign currency as at 30 June are as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
HK$	8,998	13,241
Renminbi	16,763	17,432
US$	437	71
S$	60,532	67,298
	86,730	98,042

Renminbi is not freely convertible into other currencies; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Notes to the Consolidated Financial Statements
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24. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000 (Restated)
Trade payables:		
Third parties	25,880	363
Accruals for project costs (Note (a))	5,824	16,392
Other payables:		
Accrued liabilities *(Note (b))*	6,813	6,310
GST/VAT payable	7,692	12,982
Warranty provision *(Note (c))*	1,442	–
Others	980	372
	16,927	19,664
Total	48,631	36,419

Notes:

(a) The amount represents the accrued project costs for the provision of electrical engineering services.

(b) Accrued liabilities refer mainly to accrual for professional fees and employee benefits.

(c) The Group has adopted the estimation where the warranty obligation is the equivalent of 1% of revenues of provision of electrical distribution system, which is consistent with the practice of the relevant industry. The accrual basis stays at 1% based on the best estimation, the Group derives its estimates from results from academic research, including industry-standard accelerated testing and other assumptions that the Group believes to be reasonable under the circumstances.

Trade payables/other payables

These amounts are non-interest bearing. Trade payables are normally settled on terms of 30 days.

An aging analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Trade payables:		
Less than 90 days	21,315	47
90 to 180 days	4,565	316
	25,880	363

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25. LEASE LIABILITY

The following table shows the remaining contractual maturities of the Group's lease liabilities at the current reporting periods and at the date of transition of IFRS 16:

	As at 30 June 2020 Present value of the minimum lease payments HK$'000	As at 30 June 2020 Total minimum lease payments HK$'000
Within 1 year	1,445	1,582
After 1 year but within 2 years	1,026	1,055
	2,471	2,637
Less: total future interest expenses		(166)
Present value of lease obligations		2,471

Analysed for reporting purposes as:

	As at 30 June 2020 HK$'000
Current liability	1,445
Non-current liability	1,026
	2,471

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26. DEFERRED TAXATION

For the purpose of presentation in the consolidation statement of financial position, certain deferred tax assets and liabilities have been offset the following is the analysis of deferred tax balances for financial reporting purpose:

	2020 HK$'000	2019 HK$'000
Deferred tax asset	95	–

The movements in deferred tax asset (liability) during the years are as follows:

	Enhanced carry-back relief HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 July 2018 (Restated)	–	(174)	(174)
Charged to profit or loss during the year *(Note 10)*	–	174	174
At 30 June 2019 and 1 July 2019	–	–	–
Credited to profit or loss during the year *(Note 10)*	96	–	96
Exchange realignment	(1)	–	(1)
At 30 June 2020	**95**	**–**	**95**

At the end of the reporting period, the Group has unused tax losses of HK$21,562,000 (2019: HK$1,287,000) available for offset against future profits. No deferred tax asset has been recognised during the year ended 30 June 2019 and 2020 due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation.

27. SHARE CAPITAL

	2020 HK$'000	2019 HK$'000 (Restated)
Issued and fully paid:		
1,390,280,000 (2019: 1,390,280,000) ordinary shares of HK$0.01 each (2019: HK$0.01 each) *(Note)*	13,903	13,903

Note:

On 2 April 2019, the Company issued and allotted 204,680,000 new ordinary shares by way of placing at a placing price of HK$0.183 per share.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

28. RESERVES

A summary of movements in the Company's share capital and share premium is as follows:

	Number of shares in issue '000	Issued share capital HK$'000 (Restated)	Share premium HK$'000 (Restated)	Total HK$'000 (Restated)
At 1 July 2018	1,185,600	11,856	544,847	556,703
Issue of share *(Note)*	204,680	2,047	35,036	37,083
At 30 June 2019 and 1 July 2019	1,390,280	13,903	579,883	593,786
Effect on change in functional currency	–	–	(16,555)	(16,555)
At 30 June 2020	**1,390,280**	**13,903**	**563,328**	**577,231**

Note:

On 2 April 2019, the Company issued and allotted 204,680,000 new ordinary shares by way of placing at a placing price of HK$0.183 per share.

The amounts of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

29. RELATED PARTY TRANSACTIONS

(a) In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following are the significant related party transactions entered into between the Group and its related parties that took place on terms and conditions agreed between the parties during the year:

	Notes	**2020 HK$'000**	2019 HK$'000 (Restated)
Sub-contractor fees charged by			
– joint ventures	*(i)*	**2,386**	1,271
– an associate	*(i)*	**–**	1,883
Operating expenses recharged by a related company	*(ii)*	**73**	77
Rental expenses charged by a related company	*(iii)*	**1,244**	1,287
Secretarial fees charged to			
– joint ventures	*(iv)*	**3**	7
– an associate	*(iv)*	**–**	3
Sales of materials charged to			
– joint ventures	*(v)*	**–**	6
– subsidiary of joint venture	*(v)*	**11**	20
Sales of office equipment charged to a joint venture	*(vi)*	**6**	–

Notes:

(i) Strike Singapore had subcontracted some electrical engineering works to the joint ventures, an associate and subsidiary of joint venture.

(ii) Operating expenses recharged by a related company mainly referred to the utilities charges for the office premises which was paid on behalf by Victrad.

(iii) Rental expense was charged by Victrad with reference to the rates of other similar premises.

(iv) Strike Singapore provided secretarial services to the joint ventures and an associate.

(v) Strike Singapore sold materials to the joint ventures and subsidiary of joint venture.

(vi) Strike Singapore sold an office equipment to a joint venture.

Notes to the Consolidated Financial Statements
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29. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Commitment with related parties

(i) The lease agreement for the lease of office premises entered into between Strike Singapore and Victrad was expired on 30 June 2020 and subsequently renewed for another 1 year after the financial year end.

(ii) The lease agreement for the lease of workers dormitory units entered into between Strike Singapore and Victrad was expired on 30 June 2020 and subsequently renewed for another 1 year after the financial year end.

(iii) The amount of total rental expenses charged by Victrad during the year is included in Note 29(a)(iii) to the consolidated financial statements. There are no operating lease commitments in respect of the above leases as at the end of reporting period amounted (2019: Nil).

(c) Compensation of key management personnel of the Group

	2020 HK$'000	2019 HK$'000 (Restated)
Directors' fees	**2,268**	2,473
Salaries and bonuses	**6,645**	7,192
Pension scheme contributions	**199**	191
	9,112	9,856
Comprise amounts paid to:		
Directors of the Company	**3,384**	4,787
Key management personnel	**5,728**	5,069
	9,112	9,856

Notes to the Consolidated Financial Statements
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30. CONTINGENT LIABILITIES

As at the end of the year, the contingent liabilities not provided for in the consolidated financial statements were as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Guarantees:		
Security bonds to the Singapore Government in relation to foreign workers	28	288

As required by the Singapore Government for each foreign worker hired, companies must submit a security bond of S$5,000 to the Controller of Work Passes, a government authority in managing foreign employment. During the year, the Group has hired certain foreign workers and has arranged for an insurance company (the "**Insurer**") to provide insurance guarantees with the Singapore Government. The directors believe that no foreign workers of the Group have breached the relevant regulations during the year. Accordingly, the Group has not provided for any provision in relation to such law. As at 30 June 2020, the guarantees provided by the Insurer was approximately HK$28,000 (2019: approximately HK$288,000).

31. COMMITMENTS

Operating lease commitments

As a lessee:

The Group is the lessee in respect of a number of properties and items of office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach.

Under this approach, the Group adjusted the opening balances as at 1 July 2019 to recognise lease liabilities relating to these leases, if any (see Note 2.2). From 1 July 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in Note 2.2.

The Group leases certain of its office premises and worker dormitories under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

Future minimum rental payable under non-cancellable operating leases at the end of the year are as follows:

	2019 HK$'000 (Restated)
Amount payable within 1 year	1,142
Amount payable in the second to third years, inclusive	–
	1,142

Notes to the Consolidated Financial Statements
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31. COMMITMENTS *(Continued)*

Capital commitments

The Group and the Company did not have any significant capital commitments as at 30 June 2020 and 2019.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	13,089	–	13,089
Trade receivables, deposits and other receivables	–	231,134	231,134
Cash and cash equivalents	–	86,730	86,730
Loan receivables	–	29,473	29,473
	13,089	347,337	360,426

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and other payables (excluding GST/VAT payable and accrued liabilities)	34,126
Lease liability	2,471
	36,597

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32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2019

Financial assets

	Financial assets at fair value through profit or loss HK$'000 (Restated)	Financial assets at amortised cost HK$'000 (Restated)	Total HK$'000 (Restated)
Financial assets at fair value through profit or loss	24,065	–	24,065
Trade receivables, deposits and other receivables	–	218,971	218,971
Cash and cash equivalents	–	98,042	98,042
Loan receivables	–	18,866	18,866
	24,065	335,879	359,944

Financial liabilities

	Financial liabilities at amortised cost HK$'000 (Restated)
Trade and other payables (excluding GST payable and accrued liabilities)	17,127

33. SHARE OPTION SCHEME

Pursuant to a resolution passed at the annual general meeting of the Company held on 13 February 2017, a share option scheme (the "**Share Option Scheme**") was adopted by the Company.

The major terms of the Share Option Scheme are summarised as follows:

(a) The purpose of the Share Option Scheme is to provide incentive and/or reward to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company.

(b) Eligible participants ("**Eligible Participants**") include full time or part time employees of the Company (including any directors, whether executive or non-executive and whether independent or not, of the Company); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Company.

(c) The subscription price for shares under the Share Option Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the highest of:

(i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer Date, which must be a business day;

(ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the offer Date; and

(iii) the nominal value of the share on the offer Date.

33. SHARE OPTION SCHEME *(Continued)*

(d) Maximum number of share available for issue

(i) Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the relevant class of Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in this limit being exceeded.

(ii) Subject to the limit mentioned in (d)(i) above, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the Share Option Scheme (the "**Scheme Mandate Limit**"), unless Shareholders' approval has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(iii) Subject to the limit mentioned in (d)(i) above, the Company may refresh the Scheme Mandate Limit at any time subject to approval of the shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the shares in issue as at the date of passing the relevant resolution. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Options) will not be counted for the purpose of calculating the this limit. The Company must send a circular to the shareholders containing such information as required under the Listing Rules.

(iv) Subject to the limit mentioned in (d)(i) above, the Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the shareholders containing a generic description of the specified Eligible Participants, the number and terms of options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the terms of the options serve such purpose and such other information as required under the Listing Rules.

(e) The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant or grantee (including exercised and outstanding options) in any twelve-month period up to the date of grant shall not exceed 1% of the shares in issue

(f) Subject to the terms of the Share Option Scheme, an option may be exercised in whole or in part at any time during the period to be determined and notified by the directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of ten years from the date of the grant of the particular option but subject to the provisions for early termination of the Share Option Scheme (the "**Option Period**"). There is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

During the year ended 30 June 2020 and 2019, no share option was granted, exercised, expired or lapsed.

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34. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion ownership interests and voting rights held by non-controlling interest		Total profit allocated to non-controlling interest		Accumulated non-controlling interest	
		30 June 2020	30 June 2019	**30 June 2020 HK$'000**	30 June 2019 HK$'000 (Restated)	**30 June 2020 HK$'000**	30 June 2019 HK$'000 (Restated)
Kahuer Group	The BVI/The PRC	**40%**	40%	**2,174**	10,001	**58,900**	58,997
Individually immaterial subsidiaries with non-controlling interests				**(1,071)**	1,617	**257**	1,730
				1,103	11,618	**59,157**	60,727

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Kahuer Group

	2020 HK$'000	2019 HK$'000 (Restated)
Current assets	**278,742**	255,624
Non-current assets	**–**	10
Current liabilities	**(131,492)**	(108,142)
Equity attributable to owners of the Company	**88,350**	88,495
Non-controlling interests	**58,900**	58,997
Revenue	**299,880**	414,109
Expenses	**(294,446)**	(389,106)
Profit for the year	**5,434**	25,003
Total comprehensive income for the year	**(242)**	19,417
Cash flows from operating activities	**43**	17,257
Cash flows from investing activities	**(29)**	–

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in trade receivables, and financial liabilities included in trade and other payables approximate their carrying amounts largely due to short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the management and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in an orderly transaction between market participants at the measurement date, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Equity investments at fair value through profit or loss – Financial assets at fair value through profit or loss	**13,089**	**–**	**–**	**13,089**

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000 (Restated)	Significant observable inputs (Level 2) HK$'000 (Restated)	Significant unobservable inputs (Level 3) HK$'000 (Restated)	Total HK$'000 (Restated)
Equity investments at fair value through profit or loss – Financial assets at fair value through profit or loss	24,065	–	–	24,065

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements

Reconciliation of Level 3 fair value measurements of financial assets

	2020 HK$'000
As at 1 July	–
Transfers into level 3 *(Note 22)*	246
Fair value loss on profit or loss	(246)
As at 30 June	–

The above fair value gain included in the consolidated statement of profit or loss for the current year related to investment in financial assets at FVTPL held at the end of the reporting period.

One of the Group's equity securities listed in Hong Kong classified as financial assets at FVTPL has been suspended from trading since 28 June 2019 and no unadjusted quoted prices in active markets are available. The fair value of the suspended equity securities listed in Hong Kong at 30 June 2020 was measured with unobservable inputs and hence was classified under Level 3 of the fair value hierarchy.

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities (2019: Nil).

The Group's policy is to recognise transfers between levels of fair value hierarchy as of the date of the events or change in circumstances that cause the transfer.

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value as at 30 June 2020 and 30 June 2019. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Type	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Financial assets			
Financial assets at fair value through profit or loss – Suspended listed equity securities in HK 2020: HK$ – 2019: N/A	Level 3	Adjusted net asset value	• Price to adjusted net asset value: A increase (decrease) in the price to adjusted net asset value would result in the increase (decrease) in the fair value of suspended listed equity securities. *(Note)*
– Listed equity securities in HK 2020: HK$13,089,000 2019: HK$24,065,000	Level 1	Quoted price in active market	• N/A

Note: The Group consider that the adjusted net asset value represents fair value at the end of the reporting period and sensitivity analysis would be immaterial. The fair value was based on the latest public available financial information of the issuer including the audited net asset values of the investee group and its marketability.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of financial assets at fair value through profit or loss, loan receivables, cash and bank balances. The main purpose of these financial instruments is to manage funds for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk, equity price risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional exposures. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in exchange rates (against HK$), with all other variables held constant, on the Group's loss after tax for the year:

	2020 Decrease (increase) in loss before tax HK$'000	2019 Decrease (increase) in loss before tax HK$'000 (Restated)
US$ – strengthened 5% (2019: 5%)	**16**	3
– weakened 5% (2019: 5%)	**(16)**	(3)
Renminbi – strengthened 5% (2019: 5%)	**10**	10
– weakened 5% (2019: 5%)	**(10)**	(10)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's exposure to liquidity risk arises in the general funding of the Group's operating activities. The Group's cash and cash equivalents and operating cash flows are actively managed to ensure adequate working capital requirements and that repayment and funding needs are met.

The maturity profile of the Group's trade and other payables at the end of the reporting period based on the contractual undiscounted repayment obligations are all within one year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Weighted average interest rate %	On demand or within one year HK$'000	More than one year but not less than five years HK$'000	More than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
As at 30 June 2020						
Non-derivative financial liabilities						
Trade and other payables	–	34,126	–	–	34,126	34,126
Lease liability	7.79%	1,582	1,055	–	2,637	2,471
		35,708	1,055	–	36,763	36,597

	Weighted average interest rate %	On demand or within one year HK$'000 (Restated)	More than one year but not less than five years HK$'000 (Restated)	More than five years HK$'000 (Restated)	Total contractual undiscounted cash flow HK$'000 (Restated)	Total carrying amount HK$'000 (Restated)
As at 30 June 2019						
Non-derivative financial liabilities						
Trade and other payables	–	17,127	–	–	17,127	17,127
		17,127	–	–	17,127	17,127

Notes to the Consolidated Financial Statements
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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (Note 22) as at 30 June 2020 and 2019. The Group's listed investments are listed on the Hong Kong stock exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its highest and lowest points during the year were as follows:

	30 June 2020	High/low 2020
Hong Kong – Hang Seng Index	24,301	29,175/21,139

	30 June 2019	High/low 2019
Hong Kong – Hang Seng Index	28,543	30,280/24,541

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'000	Decrease (increase) in loss before tax HK$'000
5% increase/decrease in fair value		
2020		
Investments listed in:		
Hong Kong – Financial assets at fair value through profit or loss	13,089	654

Notes to the Consolidated Financial Statements
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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

	Carrying amount of equity investments HK$'000 (Restated)	Decrease (increase) in loss before tax HK$'000 (Restated)
5% increase/decrease in fair value		
2019		
Investments listed in:		
Hong Kong – Financial assets at fair value through profit or loss	24,065	1,203

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's main exposure to credit risk arises primarily from loan receivables, contract assets, trade and other receivables and cash and cash equivalents. The credit risk on such trade and other receivables is minimal as the Group adopts the policy of dealing only with customers and counterparties of appropriate credit history. For cash and cash equivalents, the Group minimises credit risk by placing the surplus funds with reputable banks.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the individual profile of its trade receivables on an ongoing basis. At the end of the reporting period, approximately 85% (2019: approximately 90%) of the Group's trade receivables were due from the top 2 (2019: top 2) trade debtors.

Trade receivables, deposits and other receivables, contract assets and loan receivables

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Company has set the policies in place to ensure that transactions are made to customers with an appropriate credit history. In addition, the Group performs impairment assessment under ECL model on trade receivables based on credit rating. In this regard, the Directors consider that the Company's credit risk is significantly reduced.

Trade receivables, deposits and other receivables, contract assets and loan receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables deposits and other receivables, contract assets and loan receivables.

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For the year ended 30 June 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settles after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The provision of trade and other receivables, contract assets and loan receivables as at 30 June 2020 reconciles to the opening provision allowance on 1 July 2019 and to the closing provision as at 30 June 2020 was as follows:

Trade and other receivables

	Lifetime ECL (not credit-impaired) HK$'000 (Restated)	**Lifetime ECL (credit-impaired)** HK$'000 (Restated)	**Total** HK$'000 (Restated)
As at 30 June 2018	3,943	–	3,943
Change due to financial instruments recognised as at 1 July			
– Transfer to credit-impaired	(2,509)	2,509	–
– Allowance for ECL recognised	5,150	–	5,150
– Allowance for ECL reversed	(2,141)	–	(2,141)
– Write-offs	–	(2,509)	(2,509)
Exchange adjustments	(163)	–	(163)
As at 30 June and 1 July 2019	4,280	–	4,280
Change due to financial instruments recognised as at 1 July			
– Transfer to credit-impaired	(52)	52	–
– Allowance for ECL recognised	8,368	3,262	11,630
– Allowance for ECL reversed	(2,138)	–	(2,138)
Exchange adjustments	(278)	(61)	(339)
As at 30 June 2020	**10,180**	**3,253**	**13,433**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Contract assets

	Lifetime ECL (not credit-impaired) HK$'000 (Restated)	Lifetime ECL (credit-impaired) HK$'000 (Restated)	Total HK$'000 (Restated)
As at 30 June 2018	1,115	–	1,115
Change due to financial instruments recognised as at 1 July			
– Allowance for ECL reversed	(1,092)	–	(1,092)
Exchange adjustments	(23)	–	(23)
As at 30 June and 1 July 2019	–	–	–
Change due to financial instruments recognised as at 1 July			
– Allowance for ECL recognised	175	–	175
Exchange adjustments	(3)	–	(3)
As at 30 June 2020	**172**	**–**	**172**

Loan receivables

	12-month ECL (not credit-impaired) HK$'000 (Restated)	Lifetime ECL (credit-impaired) HK$'000 (Restated)	Total HK$'000 (Restated)
As at 30 June 2018	–	–	–
Change due to financial instruments recognised as at 1 July			
– Allowance for ECL recognised	1,634	–	1,634
As at 30 June and 1 July 2019	1,634	–	1,634
Change due to financial instruments recognised as at 1 July			
– Allowance for ECL recognised	27	–	27
– Allowance for ECL reversed	(1,634)	–	(1,634)
As at 30 June 2020	**27**	**–**	**27**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt/cash divided by equity attributable to owners of the Company. Net debt/cash includes trade and other payables, less cash and cash equivalents. The Group seeks to maintain a sustainable gearing ratio to meet its existing requirements. The gearing ratios at the end of the reporting periods are as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Trade and other payables	**48,631**	36,419
Less: Cash and cash equivalents	**(86,730)**	(98,042)
Net cash	**38,099**	61,623
Equity attributable to owners of the Company	**288,453**	369,807
Capital and net cash	**326,552**	431,430
Gearing ratio	**N/A**	N/A

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

37. RECONCILIATION OF LIABILITY ARISING FROM FINANCING ACTIVITY

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

	Lease Liability HK$'000
As at 1 July 2019	–
New leases entered	2,947
Financing cash outflows	(476)
As at 30 June 2020	**2,471**

38. EVENTS AFTER THE REPORTING PERIOD

In the current financial year, due to the outbreak of COVID-19, a number of provinces and cities in the PRC have activated the highest-level response to major public health emergencies by adopting stringent measure in social distancing, including the suspension or limited services of transportation facilities and factions operation. Therefore, the Company's experience certain slow down and lapse of some contracts during the first half 2020 and the financial impact had been reflected in current year financial statements. However, the Company believes the business over a longer period will recover after certain market consolidation.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this report.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
NON-CURRENT ASSET		
Interests in subsidiaries	178,897	187,968
CURRENT ASSETS		
Prepayments	236	185
Cash and cash equivalents	2,959	2,581
Total current assets	3,195	2,766
CURRENT LIABILITIES		
Other payables	1,360	1,400
Amount due to a subsidiary	95	98
Total current liabilities	1,455	1,498
NET CURRENT ASSETS	1,740	1,268
NET ASSETS	180,637	189,236
EQUITY		
Share capital	13,903	13,903
Reserves *(Note)*	166,734	175,333
TOTAL EQUITY	180,637	189,236

The Company's statement of financial position was approved and authorised for issue by the board of directors on 23 September 2020 and signed on its behalf by:

Liu Yancheng
Director

Yao Runxiong
Director

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

The movements of the reserves are as follows:

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Exchange fluctuation reserve HK$'000	Total equity HK$'000
At 1 July 2018 (Restated)	11,856	544,847	(336,780)	994	220,917
Loss for the year	–	–	(69,083)	–	(69,083)
Other comprehensive income:					
– Exchange differences on translation from functional currency to presentation currency	–	–	–	320	320
Loss and total comprehensive (expenses) income for the year	–	–	(69,083)	320	(68,763)
Issue of shares	2,047	35,036	–	–	37,083
At 30 June 2018 and 1 July 2019 (Restated)	13,903	579,883	(405,863)	1,314	189,237
Loss for the year	–	–	(7,300)	–	(7,300)
Other comprehensive expense:					
– Exchange differences on translation from functional currency to presentation currency	–	–	–	(1,300)	(1,300)
Loss and other comprehensive expense for the year	–	–	(7,300)	(1,300)	(8,600)
Effect of change in functional currency	–	(16,555)	16,569	(14)	–
At 30 June 2020	**13,903**	**563,328**	**(396,594)**	**–**	**180,637**

40. COMPARATIVES

As further explained in Note 2, due to the voluntary change in functional and presentation currencies during the reporting period, certain adjustments of prior year have been made, and certain comparative amounts have been restated to conform with the current year's presentation and disclosures and accounting treatment, and a third consolidated statement of financial position as at 30 June 2018 has been presented.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 23 September 2020.

Five Year Financial Summary

30 June 2020

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published financial statements, is set out as below:

	2020 HK$'000	2019 HK$'000 (Restated)	2018 HK$'000 (Restated)	2017 HK$'000 (Restated)	2016 HK$'000 (Restated)
Revenue	302,532	470,690	383,863	328,790	121,683
Cost of sales	(277,448)	(421,680)	(358,968)	(218,923)	(104,581)
Gross profit	25,084	49,010	24,895	109,867	17,102
Other gains and losses, net	(1,002)	(1,666)	(1,971)	(3,078)	14,504
Administrative expenses	(25,409)	(26,110)	(25,579)	(28,557)	(11,238)
Change in fair value of financial assets at fair value through profit or loss/held-for-trading investments, net	(10,976)	(35,225)	1,776	851	–
Impairment of financial assets at amortised cost, net	(8,060)	(3,551)	(5,057)	–	–
Impairment loss recognised in respect of goodwill	(48,356)	(22,159)	(10,300)	(234,762)	–
Finance costs	(51)	–	–	(55)	(221)
Other operating expenses	(1,226)	(2,773)	(1,792)	(1,487)	(5,082)
Share of result of joint ventures	924	12,188	9,830	5,827	11,479
Shares of results of an associate	(700)	(1,147)	(30)	241	(668)
(Loss) profit before tax	(69,772)	(31,433)	(8,228)	(151,153)	25,876
Income tax expense	(4,028)	(9,524)	(5,569)	(23,169)	(3,324)
(Loss) profit for the year	(73,800)	(40,957)	(13,797)	(174,322)	22,552
Attributable to owners of the Company	(74,903)	(52,575)	(18,363)	(217,410)	22,537
Non-controlling interests	1,103	11,618	4,566	43,088	15
	(73,800)	(40,957)	(13,797)	(174,322)	22,552
Assets and liabilities:					
Total assets	416,229	481,035	548,654	512,769	658,208
Total liabilities	(68,619)	(50,501)	(105,564)	(145,092)	(132,094)
Total equity	347,610	430,534	443,090	367,677	526,114
Equity attributable owners of the Company	288,453	369,807	391,274	321,630	520,289
Non-controlling interests	59,157	60,727	51,816	46,047	5,825
	347,610	430,534	443,090	367,677	526,114